Pegasus Hotels of Jamaica Limited

Financial Statements
31 March 2009

Independent Auditors' Report

To the Members of
Pegasus Hotels of Jamaica Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Pegasus Hotels of Jamaica Limited, set out on pages 1 to 32, which comprise the balance sheet as of 31 March 2009 and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 March 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, 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.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

Chartered Accountants

29 April 2009
Kingston, Jamaica

Pegasus Hotels of Jamaica Limited

Profit and Loss Account

Year ended 31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Revenue		1,002,775	676,291
Direct expenses		(345,659)	(268,780)
Gross Profit		657,116	407,511
Administration expenses		(256,870)	(204,019)
Other operating expenses		(331,215)	(347,636)
Other operating income	6	3,156	205,940
Operating Profit		72,187	61,796
Finance income	9	20,207	8,455
Interest expense		(12,054)	(7,073)
Profit before Taxation		80,340	63,178
Taxation	10	(25,097)	(24,163)
NET PROFIT		55,243	39,015
EARNINGS PER STOCK UNIT	11	$0.46	$0.32

Pegasus Hotels of Jamaica Limited

Balance Sheet

31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Non-Current Assets			
Fixed assets	13	5,001,996	4,314,431
Investments	14	62,353	-
Current Assets			
Inventories	15	33,417	30,874
Trade and other receivables	16	115,752	98,908
Cash and short term investments	17	45,345	112,622
		194,514	242,404
Current Liabilities			
Trade and other payables	19	106,700	86,003
Bank overdraft	17/18	58	2,269
Taxation payable		20,717	15,664
Current portion of long term liabilities	18	42,857	31,921
		170,332	135,857
Net Current Assets		24,182	106,547
		5,088,531	4,420,978
Stockholders' Equity			
Share capital	20	120,166	120,166
Capital reserve	21	3,705,280	3,206,394
Fair value reserve		1,984	-
Retained earnings		31,987	24,810
		3,859,417	3,351,370
Non-Current Liabilities			
Long term liabilities	18	49,282	45,056
Deferred tax liabilities	22	1,179,832	1,024,552
		5,088,531	4,420,978

Approved for issue on behalf of Board of Directors on 28 April 2009 and signed on its behalf by:

John J. Issa Director

Joy Douglas Director

Pegasus Hotels of Jamaica Limited

Statement of Changes in Stockholders' Equity

Year ended 31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings	Total
	'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2007	120,166	120,166	2,721,511	-	15,836	2,857,513
Income recognised in equity						
- Fair value adjustments to land and buildings, net of taxation	-	-	484,883	-	-	484,883
Income recognised in profit and loss						
- Net profit	-	-	-	-	39,015	39,015
Total recognised income for 2008	-	-	484,883	-	39,015	523,898
Dividends paid (Note 12)	-	-	-	-	(30,041)	(30,041)
Balance at 31 March 2008	120,166	120,166	3,206,394	-	24,810	3,351,370
Income recognised in equity						
- Fair value adjustments to land and buildings, net of taxation	-	-	498,886	-	-	498,886
- Fair value gain on investments	-	-	-	1,984	-	1,984
Total recognised in equity	-	-	498,886	1,984	-	500,870
Income recognised in profit and loss						
- Net profit	-	-	-	-	55,243	55,243
Total recognised income for 2009	-	-	498,886	1,984	55,243	556,113
Dividends paid (Note 12)	-	-	-	-	(48,066)	(48,066)
Balance at 31 March 2009	120,166	120,166	3,705,280	1,984	31,987	3,859,417

Stockholders' Equity per Stock Unit-

2008	$27.89
2009	$32.12

Pegasus Hotels of Jamaica Limited

Statement of Cash Flows
Year ended 31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

	2009 $'000	2008 $'000
Cash Flows from Operating Activities		
Net profit	55,243	39,015
Adjusted for:		
Depreciation	87,475	63,836
(Gain)/Loss on disposal of fixed assets	(210)	(106)
Exchange (gain)/loss on foreign balances	(7,334)	(461)
Impairment of assets arising from hurricane/fire	-	10,816
Interest income	(9,661)	(8,455)
Interest expense	12,054	7,073
Taxation expense	25,097	24,163
	162,664	135,881
Changes in operating assets and liabilities:		
Increase in inventories	(2,543)	1,621
Increase in receivables	(21,053)	(17,710)
Increase in payables	20,697	(4,285)
	159,765	115,507
Taxation paid	(23,985)	(28,236)
Net cash provided by operating activities	135,780	87,271
Cash Flows from Financing Activities		
Dividends paid	(48,066)	(30,041)
Long term loan received	50,000	60,000
Long term loan repaid	(34,837)	(21,034)
Interest paid	(12,054)	(7,073)
Net cash (used in)/provided by financing activities	(44,957)	1,852
Cash Flows from Investing Activities		
Interest received	9,661	11,654
Investments	(60,369)	123,063
Purchase of fixed assets	(116,934)	(133,287)
Proceeds on disposal of fixed assets	210	106
Net cash (used in)/provided by investing activities	(167,432)	1,536
	(76,609)	90,659
Exchange gain on net foreign cash balances	11,543	461
(Decrease)/increase in cash and cash equivalents	(65,066)	91,120
Cash and cash equivalents at beginning of year	110,353	19,233
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 17)	45,287	110,353

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

Pegasus Hotels of Jamaica Limited is a company limited (the hotel/the company) by shares and 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 the hotel "The Jamaica Pegasus".

The company is a public listed company and its registered office is 81 Knutsford Boulevard, Kingston 5.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Amendments to published standards effective in 2008 which are relevant to the company's operations

The following amendments to published standards became effective during the current year and are relevant to the company's operations.

- **IAS 39 (Amendment), 'Financial instruments: recognition and measurement**'. This amendment permits the following reclassifications of certain non-derivative financial assets: (1) Financial assets classified as held-for-trading may be reclassified from the fair value through profit or loss category to another category in rare circumstances, or, if the financial asset was eligible for classification as loans and receivables at the date of reclassification; (2) Financial assets classified as available-for-sale may be reclassified to loans and receivables if, at the date of reclassification, the financial asset would have been eligible for classification as loans and receivables. The amendment does not have any impact on the company's financial statements as the company elected not to reclassify its investments.
- **IFRS 7 (Amendment), 'Financial instruments: disclosures'**. For financial assets reclassified in accordance with IAS 39 (amendment), an entity is required to disclose details of carrying amounts and fair values until they are derecognised, together with details of the fair value gain or loss that would have been recognised in the profit and loss or equity if the financial asset had not been reclassified. As the group has not reclassified any of its financial instruments under IAS 39 (Amendment), this amendment has had no impact of the group's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations effective in 2008 and not relevant for the company's operations
The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2008 but they are not relevant to the company's operations:

- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008).
- IFRIC 14 IAS 19, 'The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008).
- IFRIC 13 Customer Loyalty Programmes (effective from 1 July 2008).

Standard and amendment to an existing standard that are not yet effective but are relevant to the company's operations
The following standard and amendment to an existing standard have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2009 or later periods, but which the company has not yet early adopted.

- **IAS 1 (revised) and (amendment) – Presentation of financial statements**. Under this revised standard, recognised income and expenses are to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. Both the statement of comprehensive income and the statement of changes in equity are to be included as primary statements. The balance sheet is to be referred to as the 'statement of financial position' and the cash flow statement is to be referred to as the 'statement of cash flows'. The company will be required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements. The company should also present a statement of financial position as at the beginning of the earliest comparative period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. The company will apply the revised standard for financial statements presented in the 2010 financial year.

- **IFRS 8 Operating Segments (effective annual periods beginning on or after 1 January 2009).** IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations that are not yet effective and not relevant for the company's operations

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2009 or later periods but are not relevant for the company's operations:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009).
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

2. Significant Accounting Policies (Continued)

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured and presented using the currency of the primary economic environment in which the entity operates. The functional and presentation currency for the company is Jamaican dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

(c) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The company classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At balance sheet date, trade and credit card receivables were classified as loans and receivables and investments were classified as available for sale.

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At balance sheet date, trade payables, long term liabilities and bank overdraft were classified as available for sale.

2. Significant Accounting Policies (Continued)

(d) Fixed assets and depreciation

Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. All other fixed assets are stated at historical cost, less depreciation.

Increases in the carrying amount arising on revaluation of land and buildings are credited to capital reserve in stockholders' equity. Decreases that offset previous increases of the same asset are charged against capital reserve; all other decreases are charged to the profit and loss account. Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other fixed assets are as follows:

Buildings	70 years
Fixtures and furnishings	7 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

Repairs and maintenance expenses are charged to the profit and loss account during the financial period in which they are incurred.

(e) Investments

The company classifies its investments as available-for-sale. Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Purchases and sales of investments are recognised at trade date, which is the date that the company commits to purchase or sell the asset. Investments classified as available-for-sale are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments are analysed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognised in the profit and loss account and other changes in the carrying amount are recognised in equity. Changes in the fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognised in equity.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognised in the profit and loss account. The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the company establishes fair value by using valuation techniques, making maximum use of market inputs.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Impairment of non-current assets
Fixed assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

(g) 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 estimated selling price in the ordinary course of business, less the cost of selling expenses.

(h) Trade receivables
Normally, guest accounts are paid at the time of departure. However, credit facilities are extended to many businesses and organisations. Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowers.

(i) Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost. 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.

(j) Trade payables
Trade payables are stated at cost.

(k) Borrowings
Loans and advances to the company are recognised initially at the proceeds received and are subsequently stated at amortised cost using the effective yield method. Transaction costs in respect of loans and advances to the company are deferred and amortised over the period of the liability using the effective interest rate implicit in the liability. Loans and advances and the associated transaction costs are offset in the balance sheet.

2. Significant Accounting Policies (Continued)

(l) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the balance sheet date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case deferred tax is also dealt with in equity.

(m) Employee benefit costs

The company participates in a contribution pension plan whereby it pays fixed contributions into a fund administered by trustees. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits relating to the employees' service in current and prior periods. Contributions to the scheme are charged to the profit and loss account in the year in which they are incurred.

(n) Revenue recognition

Provision of hotel services

Revenue comprises the fair value of gross income from room, food and beverage, communications and other sales, and excludes General Consumption Tax. Revenue is recognised on an accrual basis, on performance of the underlying service or transaction.

Interest income

Interest income is recognised in the profit and loss account on a time-proportion basis using the effective interest method.

(o) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

(p) Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which interim dividends are declared by the Board of Directors, and final dividends are approved by shareholders.

(q) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Financial Risk Management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Board has established an Audit Committee to assist in managing and monitoring risks. The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

The most important types of risk to the company are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

3. Financial Risk Management Continued)

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is the most important risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the company's hotel receivables from guests and investment activities.

Credit review process

The company has established procedures that involve regular analysis of the ability of guests/customers and other counterparties to meet payment obligations.

(i) Trade (hotel) and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Customers are assessed based on the company's credit policy, and credit limits established are assigned to each customer. These credit limits, which are regularly reviewed, represent the maximum credit allowable without approval from the General Manager or Financial Controller. The company has procedures in place to restrict extension of credit if it would result in customers exceeding their credit limits.

Customer credit risks are monitored according to their credit characteristics such as whether it is an individual or company, industry, ageing profile, and previous financial difficulties.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of hotel trade and other receivables.

The company's average credit period for services provided is 15 - 30 days. The company has provided fully for all receivables over 90 days based on historical experience which indicates that amounts past due beyond 90 days are generally not recoverable.

(ii) Investment securities

The company limits its exposure to credit risk by investing mainly in Government of Jamaica securities, placed through reputable financial institutions. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

Credit risk exposures are as follows:

	2009 $'000	2008 $'000
Investments	62,353	-
Trade and other receivables	115,752	98,908
Cash and short term investments	45,345	112,622
	223,450	211,530

The above table represents a worst case scenario of credit risk exposure to the company as at balance sheet date.

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables that are past due but for which no provision has been made amount to $2,602,000 (2008 - $2,413,000). These relate to government entities which are traditionally slow-paying. The ageing analysis of these trade receivables is as follows:

	2009 $'000	2008 $'000
3 to 6 months	2,602	2,413

Ageing analysis of trade receivables that are past due and impaired

At year end, trade receivables of $583,000 (2008 - $2,036,000) were impaired and fully provided for. The individually impaired receivables mainly relate to customers who are in unexpected difficult economic situations.

The ageing of these receivables is as follows:

	2009 $'000	2008 $'000
Over 6 months	583	2,036

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement on the provision for impairment of trade receivables

	2009 $'000	2008 $'000
At 1 April	2,036	2,037
Receivables recovered during the year	(1,453)	(1)
At 31 March	583	2,036

The creation and release of provision for impaired receivables have been included in the profit and loss account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Trade receivables by sector

The following table summarises the company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	2009 $'000	2008 $'000
Government	5,392	3,604
Non-Government	57,617	55,089
	63,009	58,693
Less: Provision for credit losses	(583)	(2,036)
	62,426	56,657

The majority of trade receivables are receivable from customers in Jamaica.

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The company's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis;

(ii) Maintaining a portfolio of highly marketable and liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit; and

(iv) Optimising cash returns on investments.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The tables below summarise the maturity profile of the company's financial liabilities at 31 March based on contractual undiscounted payments.

	2009				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
Borrowings	4,588	9,060	35,110	59,933	108,691
Trade payables	-	61,469	-	-	61,469
Other	-	45,231	-	-	45,231
Total financial liabilities	4,588	115,760	35,110	59,933	215,391

	2008				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
Borrowings	5,288	8,412	31,787	45,346	90,833
Trade payables	-	45,138	-	-	45,138
Other	-	40,865	-	-	40,865
Total financial liabilities	5,288	94,415	31,787	45,346	176,836

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the company which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to foreign exchange risk arising mainly from its investments, primarily with respect to the US dollar.

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximising foreign currency earnings whenever possible, and holding foreign currency balances.

The table below summarises the company's exposure to foreign currency exchange rate risk at the balance sheet date.

	Jamaican$ J$'000	US$ J$'000	Total J$'000
		2009	
Financial Assets			
Investment securities	-	62,353	62,353
Trade and other receivables	115,752	-	115,752
Cash and short term investments	17,118	28,227	45,345
Total financial assets	132,870	90,580	223,450
Financial Liabilities			
Borrowings	92,197	-	92,197
Trade payables	61,469	-	61,469
Other	45,231	-	45,231
Total financial liabilities	198,897	-	198,897
Net financial position	(66,027)	90,580	24,553

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	Jamaican$ J$'000	US$ J$'000	Total J$'000
		2008	
Financial Assets			
Trade and other receivables	98,908	-	98,908
Cash and short term investments	2,685	109,937	112,622
Total financial assets	101,593	109,937	211,530
Financial Liabilities			
Borrowings	78,656	590	79,246
Trade payables	45,138	-	45,138
Other payables	40,865	-	40,865
Total financial liabilities	164,659	590	165,249
Net financial position	(63,066)	109,347	46,281

The following tables indicate the currencies to which the company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates for a 10% devaluation and a 5% revaluation (2008 – 5%), which represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity was primarily as a result of foreign exchange gains on translation of US dollar-denominated bank accounts and investment securities classified as available-for-sale. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be on an individual basis.

	% Change in Currency Rate 2009 %	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	% Change in Currency Rate 2008 %	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
Currency:						
USD - Positive	+10	6,038	6,038	+5	3,644	3,644
USD - Negative	-5	(3,019)	(3,019)	-5	(3,644)	(3,644)

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company's policy requires it to manage the maturity of interest bearing financial assets and interest bearing financial bearing liabilities.

The following tables summarise the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
			2009			
Assets						
Investments	-	2,568	-	59,785	-	62,353
Trade and other receivables	-	-	-	-	115,752	115,752
Cash and short term deposits	45,345	-	-	-	-	45,345
Total financial assets	45,345	2,568	-	59,785	115,752	223,450
Liabilities						
Borrowings	3,629	7,142	32,139	49,287	-	92,197
Trade payables	-	-	-	-	61,469	61,469
Other	-	-	-	-	45,231	45,231
Total financial liabilities	3,629	7,142	32,139	49,287	106,700	198,897
Total interest repricing gap	41,716	(4,574)	(32,139)	10,498	9,052	24,553

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
			2008			
Assets						
Trade and other receivables	-	-	-	-	98,908	98,908
Cash and short term investments	77,622	35,000	-	-	-	112,622
Total financial assets	176,530	35,000	-	-	98,908	211,530
Liabilities						
Borrowings	5,288	8,412	31,787	33,759	-	79,246
Trade payables	-	-	-	-	45,138	45,138
Other	33,814	-	-	-	-	33,814
Total financial liabilities	39,102	8,412	31,787	45,346	45,138	169,785
Total interest repricing gap	137,428	26,588	(31,787)	(45,346)	53,770	41,745

The company has little exposure to interest rate risk as its investments and borrowings attract fixed rates of interest. The company has no other financial instruments at year end that are subject to interest fluctuation in the next 12 months.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(d) Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors determines the level of dividends to be paid to stockholders, based on the returns achieved.

The company also monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Debt comprises total long term liabilities. Total capital is calculated as 'equity' as shown in the balance sheet plus long term liabilities. The gearing ratio at year end, based on these calculations, was as follows:

	2009	2008
	$'000	$'000
Debt	92,139	76,977
Equity	3,859,417	3,347,354
Total capital	3,951,556	3,424,331
Gearing ratio	2.33%	2.25%

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of the company's property.

Property is carried at fair market value as determined by independent valuators. On the instructions of management, the valuators have used a direct sales comparison approach to determine fair market value. This approach is based on the principle of substitution, which assumes the existence of a purchaser with perfect knowledge of the property market who would pay no more for the property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. This approach thus requires a comparison of the property with others of similar design and utility which were sold in the recent past.

However, as no two properties are exactly alike, adjustments are made by the valuators to reflect differences between properties. Consequently, the determination of fair market value of the property requires that the valuators analyse the differences in relation to age and physical condition, time of sale, land to building ratio, the advantages and disadvantages of the location and other functional gains to be derived from the property and make necessary adjustments.

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting

(a) Primary reporting format – business segments

	2009				
	Rooms	**Food & Beverage**	**Communication**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	608,587	349,669	5,960	38,559	1,002,775
Segment result	523,590	97,025	(383)	32,549	657,116
Unallocated costs					584,929
Operating profit					72,187

	2008				
	Rooms	**Food & Beverage**	**Communication**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	383,794	269,260	5,130	18,107	676,291
Segment result	321,026	69,248	93	17,144	407,511
Unallocated costs					345,715
Operating profit					61,796

Due to the integrated nature of operations, management is unable to provide segment information for assets, liabilities, capital expenditure and depreciation.

(b) Secondary reporting format

There is no secondary format for segment reporting as the company operates from a single location.

6. Other Operating Income

	2009	**2008**
	$'000	**$'000**
Net foreign exchange gains	-	1,558
Gain on sale of fixed assets	210	106
Insurance proceeds received	-	201,684
Special events	2,946	2,592
	3,156	205,940

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

7. Expenses by Nature

Total direct, administration and other operating expenses:

	2009 $'000	2008 $'000
Advertising and promotion	37,490	23,426
Auditors' remuneration -		
Current year	2,100	1,870
Prior year	274	(100)
Cost of inventories recognised as an expense	178,962	135,091
Depreciation (Note 13)	87,475	63,836
Directors' emoluments	1,100	900
Equipment rental	9,071	7,657
Insurance	47,420	36,117
Impairment of assets arising from hurricane /fire damage	-	10,816
Repairs, maintenance and renewals	84,663	76,307
Replacement of soft furnishings	43,036	43,535
Replacement of soft furnishings arising from hurricane/fire damage	-	66,806
Security	21,101	20,210
Staff costs (Note 8)	252,452	200,132
Utilities	114,340	89,694
Other	54,260	44,138
	933,744	820,435

8. Staff Costs

	2009 $'000	2008 $'000
Wages and salaries	198,359	158,788
Statutory contributions	14,416	10,062
Pension contribution	7,183	5,478
Other	32,494	25,804
	252,452	200,132

Number of persons employed by the company at the end of the year:

	2009	2008
Full-time	215	217
Part-time	42	43
	257	260

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

9. Finance Income

	2009 $'000	2008 $'000
Exchange gains on investments	10,546	-
Interest income	9,661	8,455
	20,207	8,455

10. Taxation Expense

(a) Taxation is based on the profit for the year adjusted for taxation purposes and comprises income tax at 33⅓%:

	2009 $'000	2008 $'000
Current taxation	29,038	21,723
Adjustment to prior year provision	-	91
	29,038	21,814
Deferred taxation (Note 22)	(3,941)	2,349
	25,097	24,163

(b) The tax on the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33⅓%, as follows:

	2009 $'000	2008 $'000
Profit before taxation	80,340	63,178
Tax calculated at a tax rate of 33⅓%	26,780	21,059
Adjusted for the effect of:		
Adjustment to prior year provision	-	91
Other charges and allowances	(1,683)	3,013
	25,097	24,163

(c) The current tax on the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33⅓%, as follows:

	2009 $'000	2008 $'000
Profit before taxation	80,340	63,178
Depreciation	87,475	63,836
Other expenses not deductible for current tax purposes	1,239	13,755
Income not subject to tax in current period	(12,673)	(26,650)
Capital allowances	(69,268)	(48,950)
Statutory profit	87,113	65,169
Current tax calculated at a tax rate of 33⅓%	29,038	21,723

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

10. Taxation Expense (Continued)

(d) On 8 January 2009, pursuant to Section 4 of the Hotels (Incentives) Act 1990, the company was granted 'The Approved Hotel Extension (Jamaica Pegasus Hotel) Order, 2009', for a period of 10 years commencing 31 March 2009.

The benefits to be derived under the Hotel Incentive Order include:

(i) Waiver of GCT and Customs Duty for ten (10) years. There is no wavier on services.

(ii) Corporate Tax Relief for ten years arising from profits earned from the hotel's extensions which are the subject of the order.

11. Earnings per Stock Unit

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2009	2008
Net profit attributable to stockholders ($'000)	55,243	39,015
Number of ordinary stock units ('000)	120,166	120,166
Earnings per stock unit ($)	0.46	0.32

The company has no dilutive potential ordinary shares.

12. Dividends

	2009 $'000	2008 $'000
Interim dividends –		
20 cents per stock unit – 9 July 2008	24,033	-
20 cents per stock unit – 5 December 2008	24,033	-
25 cents per stock unit – 24 September and 1 November 2007	-	30,041
	48,066	30,041

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

13. Fixed Assets

	Land	Buildings	Fixtures & Furnishings	Motor Vehicles	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
			2009			
Cost or Valuation -						
At 1 April 2008	1,082,555	3,017,445	544,747	3,688	7,841	4,656,276
Additions	-	-	114,143	2,791	-	116,934
Disposals	-	-	(731)	-	-	(731)
Transfers	-	-	7,841	-	(7,841)	-
Revaluation	180,445	434,555	-	-	-	615,000
At 31 March 2009	1,263,000	3,452,000	666,000	6,479	-	5,387,479
Depreciation -						
At 1 April 2008	-	-	338,810	3,035	-	341,845
Charge for the year	-	43,106	44,148	221	-	87,475
Disposals	-	-	(731)		-	(731)
Revaluation	-	(43,106)	-	-	-	(43,106)
At 31 March 2009	-	-	382,227	3,256	-	385,483
Net Book Value -						
At 31 March 2009	1,263,000	3,452,000	283,773	3,223	-	5,001,996

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

13. Fixed Assets (Continued)

	Land	Buildings	Fixtures & Furnishings	Motor Vehicles	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
			2008			
Cost or Valuation -						
At 1 April 2007	902,128	2,597,872	444,049	3,688	-	3,947,737
Additions	-	-	125,446	-	7,841	133,287
Disposals	-	-	(6,868)	-	-	(6,868)
Impairment	-	-	(17,880)	-	-	(17,880)
Revaluation	180,427	419,573	-	-	-	600,000
At 31 March 2008	1,082,555	3,017,445	544,747	3,688	7,841	4,656,276
Depreciation -						
At 1 April 2007	-	-	326,574	2,478	-	329,052
Charge for the year	-	37,111	26,168	557	-	63,836
Disposals	-	-	(6,868)	-	-	(6,868)
Impairment	-	-	(7,064)	-	-	(7,064)
Revaluation	-	(37,111)	-	-	-	(37,111)
At 31 March 2008	-	-	338,810	3,035	-	341,845
Net Book Value -						
At 31 March 2008	1,082,555	3,017,445	205,937	653	7,841	4,314,431

Land and buildings were revalued as at 31 March 2009 on a fair market value basis by Property Consultants Limited. The surpluses arising on these revaluations, net of applicable deferred income taxes, were credited to capital reserves (Note 21).

The historical cost of land is $521,000. If buildings were stated on the historical cost basis, the cost would be $11,727,000 with accumulated depreciation of $6,179,000 (2008 – $6,012,000).

14. Investment securities

	2009	2008
	$'000	$'000
Available for sale –		
Government of Jamaica securities	62,353	-

The company holds a 11.5% fixed rate Government of Jamaica US dollar indexed bond. The security matures in 2010.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

15. Inventories

	2009 $'000	2008 $'000
Food and beverage	17,958	15,038
China and glassware	2,072	2,495
Other	13,387	13,341
	33,417	30,874

16. Trade and Other Receivables

	2009 $'000	2008 $'000
Trade receivables	63,009	58,693
Less: Provision for impairment	(583)	(2,036)
	62,426	56,657
Credit card receivables	2,237	1,596
Insurance proceeds receivable	-	3,315
Barter recoverable	-	6,748
Prepaid insurance	38,061	30,226
GCT recoverable	10,426	-
Other	2,602	366
	115,752	98,908

17. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with maturity dates not exceeding 90 days.

	2009 $'000	2008 $'000
Cash at bank and in hand	42,777	76,383
Short term investments	2,568	36,239
	45,345	112,622
Bank overdraft (Note 18)	(58)	(2,269)
	45,287	110,353

18. Borrowings

	2009 $'000	2008 $'000
Bank overdraft	58	2,269
Long term liabilities	92,139	76,977
	92,197	79,246

(a) Bank overdraft

The company has a bank overdraft facility of up to $12,000,000, which attracts interest at 21.5% and which is immediately rate sensitive. The overdraft facility is unsecured.

(b) Long term liabilities

	2009 $'000	2008 $'000
Development Bank of Jamaica Limited	92,139	76,977
Less: Current portion	(42,857)	(31,921)
	49,282	45,056

This represents the balance owing on long term loan facilities which were obtained for certain specified refurbishment projects. The loans attract interest at a fixed rate of 13% and are secured on:

- Promissory notes to the value of the loans;
- A mortgage of the company's land; and
- A debenture over the fixed and floating assets, present and future, of the company.

19. Trade and Other Payables

	2009 $'000	2008 $'000
Trade payables	61,469	45,138
Accruals	21,031	11,102
Staff related costs	11,203	11,890
GCT payable	-	7,051
Other	12,997	10,822
	106,700	86,003

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

20. Share Capital

	2009 $'000	2008 $'000
Authorised -		
121,000,000 ordinary stock units of no par value		
Issued and fully paid -		
120,165,973 ordinary stock units	120,166	120,166

21. Capital Reserves

Capital reserves represent the unrealised surplus on revaluation of land and buildings, net of applicable deferred income taxes.

22. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓%.

The movement in deferred taxation is as follows:

	2009 $’000	2008 $’000
Balance at start of year	1,024,552	869,975
(Credit)/charge to the profit and loss account (Note 10)	(3,941)	2,349
Charge to equity	159,221	152,228
Balance at end of year	1,179,832	1,024,552

Deferred income tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities against current tax assets. The movement in deferred tax liabilities and assets, prior to offsetting of balances, is as follows:

Deferred tax liabilities

	Foreign exchange gain $’000	Revaluation of buildings $’000	Interest receivable $’000	Total $’000
At 1 April 2008	-	1,084,164	412	1,084,576
Charge to the profit and loss account	3,299	-	444	3,743
Charge to equity	-	159,221	-	159,221
At 31 March 2009	3,299	1,243,385	856	1,247,540

22. Deferred Income Taxes (Continued)

Deferred tax assets

	Excess of depreciation over capital allowances $'000
At 1 April 2008	60,024
Credit to the profit and loss account	7,684
At 31 March 2009	67,708

Deferred tax liabilities/assets to be recovered after more than 10 years are $1,243,385 and $67,708 respectively.

23. Related Party Transactions

During the year, the company provided services valuing $25,335,000 (2008 – $14,214,000) to fellow government-owned institutions. The year end balance arising from the provision of services was $5,391,902 (2008 – $3,604,490). These services were provided on similar terms and conditions as those provided to unconnected parties.

Key management compensation was as follows:

	2009 $'000	2008 $'000
Wages and salaries	26,927	23,545
Statutory contributions	1,632	1,427
Pension contributions	1,346	1,200
Other	960	720
	30,865	26,892
Directors' emoluments –		
Fees	1,100	900

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement Benefit Plans

The company operates a defined contribution pension plan which is administered by Sagicor Life Jamaica Limited and in which all permanent employees must participate. The assets of the plan are held separately from the company's assets. At the inception of the plan, existing employees were credited with their share of the previously existing defined benefit plan, based on years of service and amounts contributed to that plan, as calculated by an independent actuary.

Retirement benefits are calculated on amounts accrued to each employee's account, which is based on their share of the terminated defined benefit plan, their and the company's contributions, and earnings of the current plan. Employees contribute to the plan at a mandatory rate of 5%, and may make voluntary contributions not exceeding 5%. The company makes contributions to the plan at a rate recommended by independent actuaries and approved by the Taxpayer Audit and Assessment Department. Actuarial valuations to determine the adequacy of funding of the plan are required on a triennial basis, the first was due for the year ended 31 December 2007.

The company currently contributes at a rate of 5% of pensionable salaries and has no legal or constructive obligation to make further contributions in the event that plan assets are not sufficient to pay retirement benefits. On this basis, the company has recognised $7,183,000 as an expense for the year ended 31 March 2009 (2008 - $5,478,000), being its contribution to the plan in respect of the year.

25. Litigation, Claims and Assessments

The company is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the company, and the amount can be reasonably estimated.

In respect of claims asserted against the company which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the company which is immaterial to both the financial position and results of operations.