



Pegasus Hotels of Jamaica Limited

Report and Accounts for year

31 March 2010



HOTEL FACILITIES

ACCOMMODATION

310 rooms and suites comprising 3 Royal Luxury Suites, 11 Royal One-Bedroom Suites, 58 Royal Junior Suites, 105 Deluxe Suites and 133 Deluxe Rooms.

Guest Room Amenities & Facilities

- Cable Television
- Hair Dryer
- Safety Deposit Box
- Two-Line Telephone
- High Speed Internet Access

All Suite Royal Club (12th -16th Floor)

Specifically designed for business executives, the **ALL** Suite Royal Club feature upgraded amenities.

- Complimentary continental breakfast and cocktails in the Club's private lounge
- Fresh fruits and bottled water on arrival
- Private Fitness Room
- Private Meeting Room
- Daily local newspaper

RESTAURANTS AND BARS

"From fine dining to casual hotel favourites."

Columbus Restaurant: The fine-dining Columbus Restaurant is located on the lobby floor. Open for Dinner from 6:00pm to 10:30pm. Monday – Saturday. Reservations required. Dress code observed.

24-Seven Café: Located on the lobby level overlooking the pool, this restaurant offers a comprehensive menu including lunch buffet 12:00 – 3:00p.m. Monday – Friday. A wide selection of teas, ice cream and an array of delicacies.

The Polo Lounge: The elegant mahogany furnishings mixed with the aroma of coffee, liqueurs and cocktails, create an atmosphere for evening relaxation. Open daily 4:00pm to mid-night.

Pool Bar: offers quick bites as well as local and international drinks. The Bar is an extension of the Country Kitchen Restaurant, and is the perfect spot for the sports enthusiast. Open daily 9:00am to Midnight.

Sunday Family Brunch: in the 24-Seven Cafe 11:00am-3:30pm.

Tuesday on the Grill: 7:00pm to 10:30pm Direct from the Grill. Live Entertainment

Concierge: For information and assistance

MEETINGS AND RECREATION

Grand Jamaica Suite

1,300 square metres of banqueting & meeting facility

Belisario Suite

Situated off the main Lobby, provides an ideal setting for small receptions.

Alexander Bustamante, Norman Manley, Rio Grande, Rio Bueno, and **Port Royal Suites:** five well appointed meeting rooms located on the Lobby Level, and **George William Gordon Suite** located on the Lower Lobby Level.

Marcus Garvey and Paul Bogle Suites

Exclusive meeting rooms located on the 1st Floor.

Top of the World

Open air venue with breathtaking bird's eye view of Kingston & St. Andrew. Ideal for evening cocktails, special launches and dinners

Talk of the Town

17th Floor meeting room with bird's eye view of the city of Kingston

Gardens at the Pegasus

Ideal for weddings, cocktails and tea parties. The gazebo can be set for wedding ceremonies.

Complete Wellness Facilities

¼ Mile Jogging Track, Flood-lit Tennis Courts, Guest only fitness Center, Olympic-sized Swimming Pool, Nirvana Day Spa.

Golf

Caymanas Golf Course (18-hole).

National Golf Academy – Driving range and putting green.

Arranged on request.

Shops

The Art Gallery and a Spa situated on the Lower Lobby, Gift (Novelty) Shop, Souvenir Shop, Duty Free Shop, and Hairdressing Salon all situated on the Lobby Level.

Ground Transportation/Tours

Taxi/Limousine services can be arranged through our Concierge or Bell Staff.

RESERVATIONS

Toll Free in USA and Canada- (800) 44 UTELL. UK – 44 8705 300 200

Website: www.jamaicapegasus.com

E-mail: sales@jamaicapegasus.com



www.facebook.com/JamaicaPegasus



www.twitter.com/jamaicapegasus

JAMAICA PEGASUS HOTEL

Phone: (876) 926-3691-9 **Mail:** P.O. Box 333

Fax: (876) 968-4582 Kingston 5

Reservations: (876) 926-5706 Jamaica, W.I.



FORTY-SECOND ANNUAL REPORT

1 April 2009 to 31 March 2010

CONTENTS

Hotel Facilities	Front Inside Cover
List of Directors and Management	2-5
Disclosure of Shareholdings	6
Notice of Annual General Meeting with Ordinary Resolutions	7-8
Chairman's Statement	9-12
Report of Directors	13-17
Management Discussion and Analysis	18-22
Commendation to Dr. The Hon. John J. Issa	23
FINANCIAL STATEMENTS	
Auditors Report to the Members	25-26
Statement of Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Stockholders' Equity	29
Statement of Cash Flows	30
Notes to the Financial Statements	31-58
Major Groups Hosted During the Period	59
Historical Review	60-61
Upcoming Activities for the New Period	Back Inside Cover
Proxy	Fly Leaf



DIRECTORS

Rev. Denzil Barnes, M.A. (Theology), B.Sc. (Econ); A.C.I.B.

Rev. Barnes is a Minister of Religion and currently serves as Diocesan Secretary at the Diocese of Jamaica and the Cayman Islands (Anglican); and Vice-Chairman of Nuttall Memorial Hospital Board and a member of the Board of Governors of the United Theological College. He spent thirty years in banking retiring as General Manager of Operations and Risk Management at National Commercial Bank.

Christopher D. Bovell, C.D., MA, LL.M.

Mr. Bovell, Barrister-at-Law, is currently a Consultant with the law firm DunnCox. He is a Director of Grace Kennedy Limited, and is the Chairman of Allied Insurance Brokers Limited and Barnett Limited.

Joy Douglas, MURP, B.A. (Hons.)

Miss Joy Douglas, an Urban and Regional Planner, has been the General Manager of the Urban Development Corporation since November 20, 2008. Miss Douglas has responsibility for the day to day operations of the UDC in response to Government's mandate to return the organization to the core business of undertaking urban development projects islandwide.

In addition to the UDC, Miss Douglas currently serves on the Boards of the National Housing Trust, Planning Institute of Jamaica, Independence Park Limited, Caymanas Development Company Limited, Runaway Bay Water Company Limited, Montego Freeport Limited as well as the Town and Country Planning Authority (TCPA), the Natural Resources Conservation Authority (NRCA), Land Utilization Commission, Jamaica Developers Association, Kingston Restoration Company (KRC), and the Kingston City Centre Improvement Company (KCCIC).



Alston Douglas, Engineer

Mr. Douglas is an Engineer and businessman who also serves on the Board of the National Water Commission.

Daniella Gentles, LL.B, B.A.

Ms. Gentles is an Attorney-At-Law and a Partner in the law firm Livingston, Alexander & Levy where she has been for over fourteen (14) years. She is a graduate of the University of the West Indies where she obtained a Bachelor of Arts degree in History and Literature and of the University of Dundee in Scotland where she obtained a Bachelor of Laws Degree. Ms. Gentles is a member of the Disciplinary Committee of the General Legal Council and serves as a Director on the Board of the Urban Development Corporation.

Dr. The Hon. John J. Issa, O.J., C.D., J.P., LL.D., B.Sc.

Dr. Issa is the Executive Chairman of SuperClubs International and its subsidiaries; Vice-Chairman of the Gleaner Company Limited; Director of GraceKennedy Limited, Globe Insurance Company of Jamaica Limited and Bloody Bay Hotel Development Limited. He has served as Chairman of the Jamaica Tourist Board, as President of The Jamaica Hotel & Tourist Association, and as a Senator from 1983 to 1989.

Dahlia Kelly, B.Sc. (Hons.)

Mrs. Kelly owns and operates an Executive Placement Company. She also serves on the Board of Jamaica Producers Group, the Urban Development Corporation and Caymanas Development Company Limited.

Robert Russell

Mr. Russell is a businessman who owns and operates the "Pier One on the Waterfront Restaurant" in Montego Bay. He is a founding member and Chairman of Reggae Sumfest and also Chairman of the Tourism Product Development Company. Mr. Russell sits on several boards including the Urban Development Corporation.



Michael Subratie, BCE, MSCE, EIT

Mr. Subratie is Managing Director of T. Geddes Grant (Distributors) Limited as well as a Director of the Musson Group of Companies. He is also a Director of Montego Freeport Limited, Urban Development Corporation, Jamaica Railway Corporation, American Chamber of Commerce and Jamaica Urban Transit Company.

Mr. Subratie holds both a Bachelor's Degree in Civil Engineering with highest honor from Georgia Institute of Technology and a Master's Degree in Structural Engineering from Purdue University.

Desmond Young, Civil Engineer, M.Sc., MJIE, PE

Mr. Young is presently the Director of Technical Services at the Housing Agency of Jamaica Limited, and has been in the construction and development industry both locally and internationally for over nineteen (19) years. He is a graduate of Excelsior High School, EXED Community College and Moscow Institute of Civil Engineering.

Mr. Young is a past president of the Jamaica Institution of Engineers (JIE), past Chairman of the Construction Industry Council (CIC) and sits on several boards including the Urban Development Corporation, Professional Engineers Registration Board, The National Housing Trust and Caymanas Development Corporation.



PEGASUS HOTELS OF JAMAICA LIMITED

COMPANY SECRETARY

Marlene McLean, M.Sc., B.Sc.
81 Knutsford Boulevard
P.O. Box 333, Kingston 5
Jamaica, W.I.

AUDITORS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street, P.O. Box 372
Kingston, Jamaica, W.I.

BANKERS

The Bank of Nova Scotia Jamaica Limited
Duke & Port Royal Streets
Kingston
Jamaica, W.I.

EXECUTIVE MANAGEMENT

Eldon Bremner	-	General Manager
Nancy McLean	-	Hotel Manager
Headly O'Connor	-	Financial Controller
Fern Lewis-Hue	-	Human Resources and Training Manager
Prudence Simpson	-	Director of Sales & Marketing
Glenroy Scott	-	Director of Engineering
Charmaine Blackwood	-	Front Office Manager
Loraine Tait	-	Reservations and Information Technology Manager
Latoya Wright-Gabbidon	-	Executive Housekeeper
Gene Dawkins	-	Internal Auditor

REGISTRAR FOR THE COMPANY

N.C.B. Jamaica (Nominees) Limited
32 Trafalgar Road
P.O. Box 314, Kingston 10
Jamaica, W.I.

ATTORNEYS

DunnCox
48 Duke Street
Kingston
Jamaica, W.I.



**DISCLOSURE OF SHAREHOLDINGS
AS AT MARCH 31, 2010**

DIRECTORS	STOCK UNITS
John J. Issa	9,169,568
Christopher Bovell	2,517
Michael Subratie	2,000
EXECUTIVE MANAGEMENT	STOCK UNITS
Eldon Bremner	Nil
· Heathcliffe Bremner	15,750
· Teisha Bremner	15,750
· Janira Bremner	7,875
Charmaine Blackwood	11,571
TEN (10) MAJOR STOCKHOLDERS	STOCK UNITS
National Hotels and Properties Limited	71,865,384
Middle East Ventures Limited	19,840,103
John J. Issa	9,169,568
Harry Maragh	2,987,699
Capital Finance Limited	2,140,385
Pelican Securities Limited	1,168,945
G. Raymond Chang Limited	896,877
Manchester Pension Trust Fund Limited	809,641
Karl P. Wright	700,000
Trading A/C—Life of Jamaica Limited	562,098



NOTICE OF FORTY-SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Forty-Second Annual General Meeting** of **Pegasus Hotels of Jamaica Limited** will be held at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, Jamaica, W. I., on **Monday, 28th June, 2010 at 3 o'clock** in the afternoon when the following will be transacted:

1. Audited Accounts for the Year Ended March 31, 2010

To receive and adopt the accounts for the year ended March 31, 2010, together with the Reports of the Directors and Auditors thereon. To consider and, (if thought fit) to pass the following resolutions:

- (i) *'THAT the Audited Statements for the period ended March 31, 2010 and the Report of the Directors thereon be and are hereby taken as read'.*
- (ii) *'THAT the Reports of the Directors and Auditors and the Audited Financial Statements for the year ended March 31, 2010 now submitted to the meeting be and are hereby adopted'.*

2. Election of Directors

In accordance with Article 80 (1) (b) of the Articles of Incorporation of the Company Dr. The Hon. John J. Issa and Mr. Christopher Bovell having been appointed at the last Annual General Meeting, retire at this Annual General Meeting, and being eligible offer themselves for re-election.

To consider and (if thought fit) pass the following resolutions:

- (i) *'THAT Dr. The Hon. John J. Issa be and is hereby re-elected a Director of the Company for the ensuing year'.*
- (ii) *'THAT Mr. Christopher Bovell be and is hereby re-elected a Director of the Company for the ensuing year'.*



3. Remuneration of Auditors

To authorize the Directors to fix the remuneration of the Auditors and to consider and if thought fit pass the following resolution:

'THAT the Directors be and are hereby authorized to fix the remuneration of the Auditors'.

4. To transact any other business which may be transacted at an Ordinary General Meeting

DATED THIS 7TH DAY OF JUNE 2010

.....
MARLENE MCLEAN
COMPANY SECRETARY

NOTE:- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed and if it is used it should be completed in accordance with the instructions on the form and returned so as to reach the Company's Registrar at the address shown on the form not less than forty-eight (48) hours before the time fixed for the meeting.



CHAIRMAN'S STATEMENT

Results of Operations

The continuing global recession prompted downward adjustments of room rates which had major effects on our revenue, hence a reduction in profit for the year under review which is \$17.2M compared to \$55.2M for last year. There was also increased competition in the market with the addition of one hundred and twelve (112) new rooms to Kingston. The traditional periods of high occupancy experienced reduced arrivals and increases in discounted room rates. Additionally, banqueting revenue for the period declined as companies, Ministries and government agencies and individuals reduced expenditure. Stringent cost control initiatives including energy conservation methods were introduced. A four (4) day work week for an extended period was also implemented.

Expansion/Refurbishing and Upgrading Projects

Bedrooms

During the period under review the remaining five (5) bedroom floors were refurbished which now result in the Hotel having all bedroom floors refurbished over the last three (3) years. \$152M was invested in fixed assets. Upgrading and renovation of the luxury suites as well as the hotel's lobby area will commence during the next financial period.

Internet

The Hotel Internet service which became obsolete was upgraded with a new High Speed Internet Service. All bedrooms now have complimentary wired and wireless access. All meeting rooms and public area have wireless access.



Financing

The company was able to obtain an additional long term loan of \$100M at a favorable interest rate, to finance the refurbishing of the last five (5) bedroom floors, which increased our long term debt from \$49M to \$88M at the close of the year. Cash and short term investments showed a decrease for 2010 but this was due to our participation in the Jamaica Debt Exchange (JDX) where most of the company's investments were placed on long term government instruments. However, cash, short term and long term investments totaled \$103M. Previous year - \$108M.

Net current assets decreased from \$24M to a negative figure of (\$55.4M) and was due in part to the investment of \$91M on long term Government of Jamaica's indexed bonds which are classified as non-current assets. Shareholders' equity increased from \$3.859B to \$4.303B for the period.

Taxation

Your Hotel was granted incentives for ten (10) years under The Approved Extension (Jamaica Pegasus Hotel) Order, 2009 effective March 31, 2009. The benefits are: waiver of General Consumption Tax (GCT) and Custom Duties for ten (10) years on a schedule list of items, and corporate tax relief for ten (10) years arising from the Hotel's operations.

In order to be prudent, a provision was made in the accounts for corporation tax based on an apportionment method. Our tax consultants are seeking confirmation from the relevant authorities whether we are fully exempted from tax on operational profits. In the interim, tax charges for this period were calculated at \$5.9M. This amount was confirmed by our auditors PricewaterhouseCoopers as the worst case tax calculation. The final computation should see a reduction in the returns which are due March 15, 2011.



Dividends

During the year, interim dividends totaling thirty-five cents (\$0.35) per stock unit were declared and paid to shareholders, and your Directors are not recommending a further dividend at this time.

Chairmanship

On April 1, 2010, I was appointed Chairman of the Board by National Hotels and Properties Limited (NHP), a wholly owned subsidiary of the Urban Development Corporation (UDC), and the majority shareholder in Pegasus Hotels of Jamaica Limited. According to the Articles of Incorporation, "NHP shall nominate up to six (6) of the ten (10) directors, one of whom shall be designated chairman". We have been extremely fortunate to have had Dr. Issa as our Chairman (See Page 23).

I am humbled by this appointment and I am grateful for the opportunity to serve you in this capacity.

Management and Staff

Our hotel is managed by an experienced and competent staff which includes two recipients of the Order of Distinction (Rank of Officer); the General Manager, Eldon Bremner with over twenty six (26) years of service, eighteen (18) as Financial Controller/Deputy General Manager and eight (8) in his present post; and our Hotel Manager/Food & Beverage Manager, Nancy Mclean with twenty four (24) years of service. This is a unique achievement in the hotel and tourism industry of Jamaica. Pegasus Hotels of Jamaica Limited (PHJL) recently won the Tourism Service Excellence Awards 2009, Resort Area Champion Organization- Kingston. Congratulations to the management and staff who have once again made us proud of their outstanding achievement.

Sale of NHP Shares

In November of 2008 the board was informed by the Urban Development Corporation (UDC) that NHP would be selling its 71,865,384 shares held in PHJL. This represents 59.81% of the total issued shares of PHJL.



PEGASUS HOTELS OF JAMAICA LIMITED

This process is being lead by Scotia DBG Investments Limited (Scotia DBG), supported by the Development Bank of Jamaica Limited (DBJ), guided by the rules of the Jamaica Stock Exchange with oversight provided by the Contractor General. A Confidentiality Agreement was signed between, PHJL, DBJ, Scotia DBJ and all prequalified investors. All requests for information and site visits must be done through the General Manager by Scotia DBJ whose representative(s) must be present.

Future

With all rooms newly refurbished, the company has embarked on and will continue an even more aggressive marketing campaign both locally and internationally. This will be our main focus while the board continues to support management with their revenue generation and cost containment efforts.

Thank You

The depressed economic climate plus increased competition made 2009/2010 a challenging year, but through hard work, creative thinking and dedication the Hotel was able to maintain its place in the market. On behalf of the Board I wish to express our sincere gratitude to Management and Staff for their continued support and commitment to keep the Pegasus as "Kingston's Preferred Hotel" through this difficult period.

We thank our customers, suppliers and other partners for their continued business, and to you our shareholders for your continued support and confidence.

.....
DESMOND YOUNG
CHAIRMAN

07 MAY 2010



REPORT OF THE DIRECTORS

The Directors are pleased to submit their **Forty-Second Annual Report**, together with the Audited Accounts of the Company for the year ended 31 March, 2010.

Financial Statements

The gross profit for the year under review is \$628.0M earned from total sales of \$966.0M. After accounting for administrative, other operating expenses, finance income, expenses and taxation our net profit is \$17.2M.

The balance in the Capital Reserve Account as at 31 March 2010 is \$4.176B and in the Retained Earnings Account is \$7.0M.

Historical Review

	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
<i>Revenue</i>	<i>\$965.977M</i>	<i>\$1.003B</i>	<i>\$676.291M</i>	<i>\$738.015M</i>	<i>\$658.433M</i>
<i>Operating Profit</i>	<i>\$25.619M</i>	<i>\$72.187M</i>	<i>\$61.796M</i>	<i>\$ 45.342M</i>	<i>\$16.616M</i>
<i>Net Profit/(Loss)</i>	<i>\$17.159M</i>	<i>\$55.243M</i>	<i>\$39.015M</i>	<i>\$ 41.080M</i>	<i>\$ 17.402M</i>
<i>Net Current (Liabilities)/ Assets</i>	<i>(\$55.612M)</i>	<i>\$24.182M</i>	<i>\$106.547M</i>	<i>\$128.798M</i>	<i>\$115.907M</i>
<i>Earnings Per Stock Unit</i>	<i>\$0.14</i>	<i>\$0.46</i>	<i>\$0.32</i>	<i>\$0.34</i>	<i>\$0.14</i>
<i>Closing Stock Unit Price</i>	<i>\$15.00</i>	<i>\$15.00</i>	<i>\$16.00</i>	<i>\$10.50</i>	<i>\$8.50</i>
<i>P/E Ratio</i>	<i>107.1</i>	<i>32.6</i>	<i>50</i>	<i>30.8</i>	<i>60.7</i>
<i>Price to Book Value Ratio</i>	<i>0.41</i>	<i>0.46</i>	<i>0.57</i>	<i>0.44</i>	<i>0.41</i>

(Shown in Graph Overleaf)

Dividends

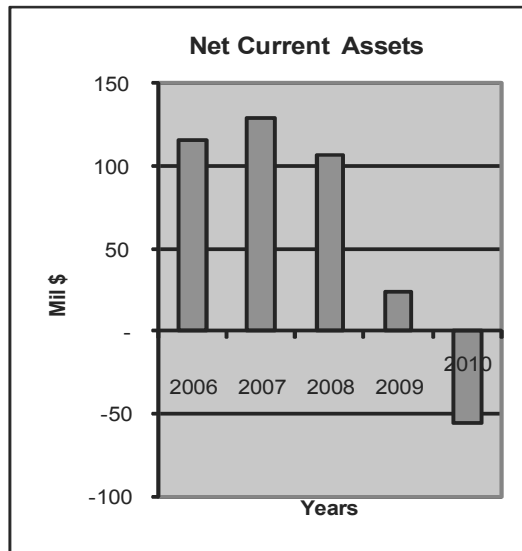
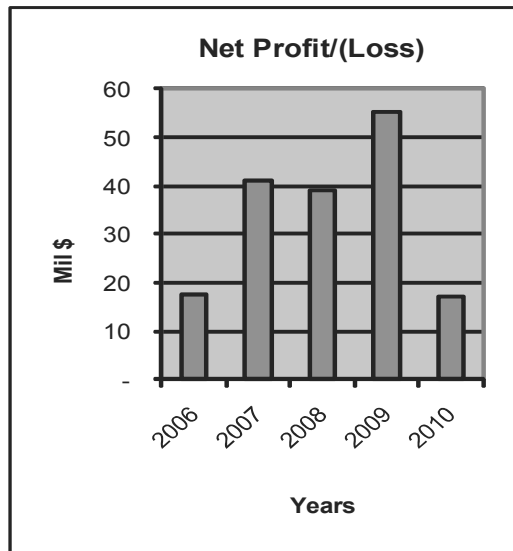
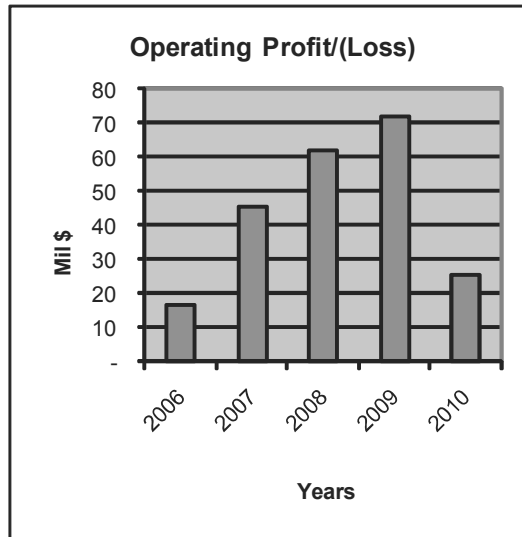
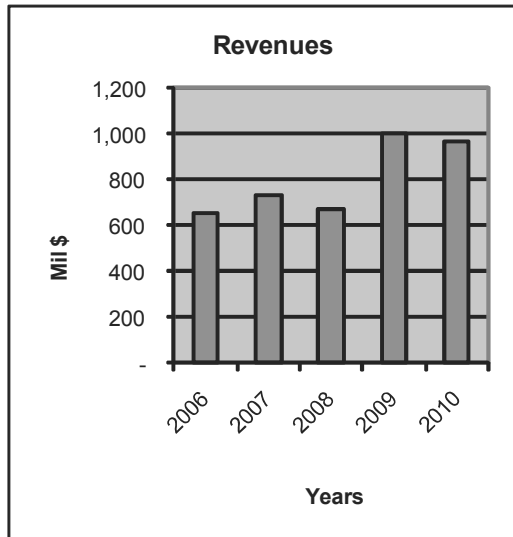
The following dividends were paid during the year:

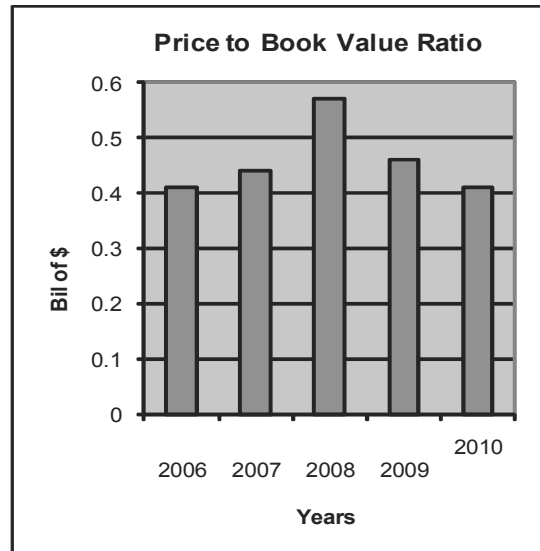
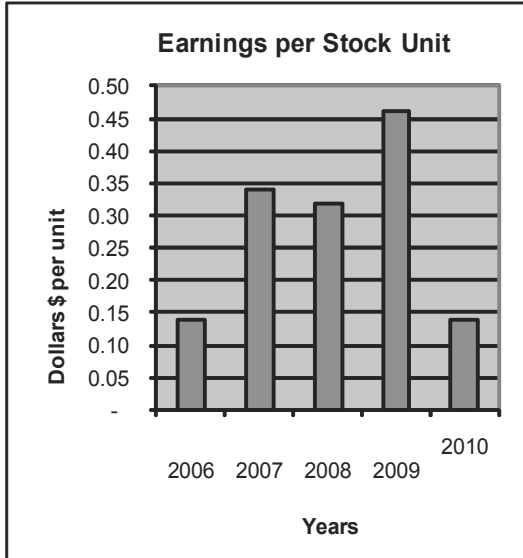
- Ten cents (\$0.10) per stock unit paid on April 22, 2009
- Twenty-five cents (\$0.25) per stock unit paid on December 29, 2009

At this time, the Directors do not recommend a dividend payment.



PEGASUS HOTELS OF JAMAICA LIMITED







GOVERNANCE

Directors

The Board of the Directors as at March 31, 2010 are:

Rev. Denzil Barnes
Mr. Christopher Bovell
Ms. Joy Douglas
Mr. Alston Douglas
Miss Daniella Gentles
Dr. The Hon. John J. Issa
Mrs. Dahlia Kelly
Mr. Robert Russell
Mr. Michael Subratie
Mr. Desmond Young

National Hotels and Properties Limited, a wholly owned subsidiary of the Urban Development Corporation, and the major stockholder in Pegasus Hotels of Jamaica Limited (PHJL), exercised its powers under Article 80 (1) (a) of the Articles of Incorporation of PHJL and appointed Mr. Desmond Young as Chairman of the Board effective April 1, 2010.

In accordance with Article 80(1)(b) of the Articles of Incorporation of the Company the elected Directors, Dr. The Hon. John J. Issa and Mr. Christopher Bovell retire at the Annual General Meeting and being eligible are recommended for re-election. Under Article 80(1)(c) of the Articles of Incorporation of the Company, Rev. Denzil Barnes and Mr. Alston Douglas were co-opted to serve as Directors for a period of one year commencing January 25, 2010.

Audit Committee

With his new role as Chairman of the Board, Mr. Desmond Young resigned as a member of the Audit Committee and Mrs. Dahlia Kelly was appointed in his stead. The Audit Committee now comprises: Rev. Denzil Barnes, Mrs. Dahlia Kelly and Mr. Michael Subratie. The Committee is chaired by Rev. Denzil Barnes.



The Audit Committee now comprises three non-executive directors, considered by the Board to be independent and has at least one member possessing relevant financial experience. It will be seen from the directors' biographical details appearing on pages 2 to 4, that the other members of the committee bring to it a wide range of experience from positions at the highest level.

During the period under review the Committee met four (4) times where the audit plan for the year, quarterly reports for the Jamaica Stock Exchange and reports on the various departments from the Internal Auditor were discussed. The Internal Auditor, General Manager and Financial Controller attended these meetings on the invitation of the committee's Chairman.

The main role and responsibilities of the Audit Committee are set out in written terms of reference and include:

- ◆ Monitoring the integrity of the company's financial statements, including its annual and interim reports, formal announcements relating to its financial performance and reviewing significant financial reporting issues
- ◆ Reviewing the company's systems of financial control and risk management
- ◆ Monitoring and reviewing the effectiveness of the company's internal audit function

Management

Mr. Mervyn Falconer demitted office as Financial Controller at the end of April 2009 and Mr. Headly O'Connor was appointed to replace him.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue as Auditors of the Company and a resolution will be proposed authorizing the Directors to fix their remuneration.

BY ORDER OF THE BOARD

M. Y. McLean

COMPANY SECRETARY

DATED THIS 7TH DAY OF MAY 2010



MANAGEMENT DISCUSSION AND ANALYSIS

The Jamaica Pegasus is a business oriented hotel that primarily provides accommodation and catering services for local and international clientele.

Core Business

Over the past 37 years, the Pegasus as it is fondly called, has earned the enviable reputation for superb hospitality in accommodation and catering services and has been home to many and varied guests including corporate and leisure clients, royalty, dignitaries, heads of states, celebrities and sports icons and is a constant buzz of activity for Jamaicans.

There are three (3) categories of accommodation i.e. Royal Suites, Deluxe Suites and Deluxe Rooms.

The hotel operates several Restaurants and Bars also provides conferences and meeting facilities. Local clients can have memberships for the tennis and swimming pool facilities. In addition, it is the home to airline and other offices and shops and is the meeting place for several service clubs.

Long Term Vision

Our vision is to ultimately become the most reputable and preferred business hotel in the region. We aim to increase shareholders value by generating more favourable return on investment and ensuring a healthy working environment.

Strategies for Growth

The hotel employs a number of strategies for growth and shareholder value creation. These include but are not limited to:



- ◆ Direct selling activities
- ◆ Offering competitive rate packages
- ◆ Advertising
- ◆ Participating in overseas sales trips, trade shows and tourism promotions
- ◆ Continuing to host a superior, effective and user friendly website
- ◆ Promotions on our active social media networks

The prolonged depressed economic climate has prompted the hotel to revisit all of its practices and upgrade our information systems to ensure efficiency and effectiveness, maintaining tighter control of systems and procedures, and tapping into every revenue opportunity.

Although the addition of a 112 room new property in Kingston poses a threat, it is also viewed as an opportunity, as Kingston Hotels will be in a position to go after larger meetings and convention business by pooling rooms and collaborating with each other.

Based on economic indicators, the world economic recession appears to be dissipating. The hotel has positioned itself to tap into new businesses and retain or recapture old ones.

Performance Drivers

The hotel's two main drivers are occupancy levels and average room rates. These are critical in ensuring value for investors. Combined, they must therefore be consistently above breakeven point in order to adequately achieve profitability.

Historical and forecast reports are generated to monitor occupancy levels and room rates, catering and other revenue sources.

Comparisons are made against budget and previous year performance and the variances are used as indicators for management to make informed decisions.



PEGASUS HOTELS OF JAMAICA LIMITED

In order to successfully execute the company's strategies the hotel secures low interest loans for its major projects. Working capital and normal capital expenditure, payment of dividends and loans are financed by the hotel operational cash flow. The hotel also ensures there is an adequate cash reserve.

Our most valuable resource (employees), consists of a highly qualified and experienced Executive Management team and the most professional, experienced workers in the hospitality industry.

Capability to Deliver Results

The Pegasus has an excellent credit rating with loan organizations and as such is able to access financing easily for any future requirements.

Strict systems and control procedures are in place which adequately manage all risks and provide disclosures necessary for the running of an efficient and competitive business. These are reviewed daily and periodically to ensure currency in the industry and technology world.

Results

The company performed reasonably well under severe economic conditions. While our occupancy levels and room rates fell, we seized the opportunity to invest in the improvement of the overall product in anticipation and preparation for the inevitable turnaround in business.

Future

Going forward, there is growing optimism as from all indications the business traffic appears to be increasing.

As the expected demand for rooms in Kingston increases, the average rate per room will also increase as there is an excellent yield management system in place, ensuring higher net profit hence higher rate of return on assets.



Assumption normally considered for preparation of budget and forecast includes:

- Rate of exchange
- Inflation
- Growth in occupancy
- Energy conservation

Our accounting rigidly adheres to the most current International Financial Reporting Standards (IFRS) requirements.

Risks

Credit Risk

Credit risk is the risk of financial loss resulting from failure of customers or clients to honour their contractual obligations. The company observes standard procedure that involves the regular analysis of the company's receivables of its guests, customers and investment activities.

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 requires 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.



Market Risk

The company is exposed to market risks in which the fair value/future cash flows of its financial instruments will fluctuate because of changes in the market. The company monitors market risk by monitoring the price movement of financial assets on the local and international markets.

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 Hotel monitors and manages its foreign currency balances in order to maximize returns and reduce potential losses. This is attributable to its foreign currency takings and the US Bond Investment.

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 standard operating procedure of the company ensures that the maturity of interest bearing instruments and liabilities is constantly and carefully monitored. The company has little exposure to interest rate risk as its investments and borrowings are at fixed rates of interest.



COMMENDATION TO DR. THE HON. JOHN J. ISSA, OJ, C.D., J.P., LL.D., B.Sc.

Pegasus Hotels of Jamaica Limited uses this medium to say thank you to Dr. The Hon. John J. Issa for his sterling years of service as Chairman of the company. Dr. Issa served as Chairman of the Board of Pegasus Hotels of Jamaica Limited from February 4, 1981 to March 31, 2010.

During his tenure he unselfishly shared his wealth of knowledge, information and experience about the industry from which the company, the shareholders and the country as a whole benefitted tremendously. With Dr. Issa as Chairman of Pegasus Hotels of Jamaica Limited, which spanned 29 years, the Company made substantial investments in upgrading the product and went from a loss position to one of profit making and has since been paying dividends to its shareholders. We acknowledge with thanks his foresight and dedication.

The Board of Directors, Management and Staff look forward to Dr. Issa's continued and invaluable contribution as a Director.

Pegasus Hotels of Jamaica Limited

**Financial Statements
31 March 2010**

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 27 to 58 which comprise the statement of financial position as of 31 March 2010 and the statement of comprehensive income, statement of changes in stockholders' 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. 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.

Auditor's 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.

Members of Pegasus Hotels of Jamaica Limited
Independent Auditors' Report
Page 2

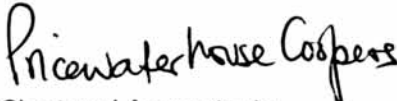
Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 March 2010, 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 Additional Requirements of the Jamaican Companies Act

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 Jamaican Companies Act, in the manner so required.


Chartered Accountants

7 May 2010
Kingston, Jamaica

Pegasus Hotels of Jamaica Limited

Statement of Comprehensive Income

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Revenue		965,977	1,002,775
Direct expenses		(337,938)	(345,659)
Gross Profit		628,039	657,116
Administration expenses		(289,384)	(256,870)
Other operating expenses		(323,979)	(331,215)
Other operating income	6	10,943	3,156
Operating Profit		25,619	72,187
Finance income	9	14,154	20,207
Interest expense		(16,679)	(12,054)
Profit before Taxation		23,094	80,340
Taxation	10	(5,935)	(25,097)
Net Profit		17,159	55,243
Other Comprehensive Income:			
Fair value adjustments to land and buildings, net of taxes		471,071	498,886
Fair value adjustments to available-for-sale financial assets, net of taxes		(2,734)	1,984
Other Comprehensive Income, net of taxes		468,337	500,870
Total Comprehensive Income		485,496	556,113
Earnings Per Stock Unit	11	\$0.14	\$0.46

Pegasus Hotels of Jamaica Limited

Statement of Financial Position

31 March 2010

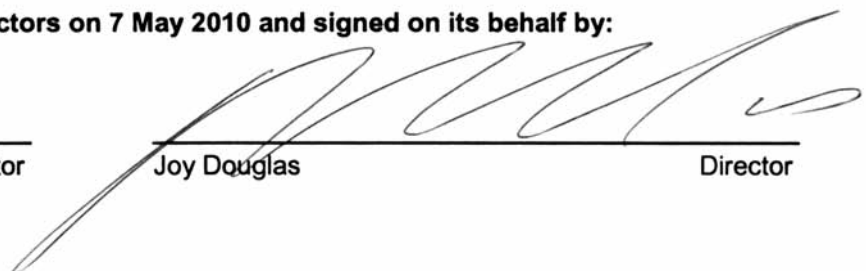
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Non-Current Assets			
Fixed assets	13	5,779,819	5,001,996
Investments	14	90,607	62,353
Current Assets			
Inventories	15	46,699	33,417
Trade and other receivables	16	118,730	115,752
Cash and short term investments	17	21,243	45,345
		186,672	194,514
Current Liabilities			
Trade and other payables	19	142,023	106,700
Bank overdraft	17/18	8,747	58
Taxation payable		31,087	20,717
Current portion of long term liabilities	18	60,427	42,857
		242,284	170,332
Net Current (Liabilities)/Assets		(55,612)	24,182
		<u>5,814,814</u>	<u>5,088,531</u>
Stockholders' Equity			
Share capital	20	120,166	120,166
Capital reserve	21	4,176,351	3,705,280
Fair value reserve		(750)	1,984
Retained earnings		7,088	31,987
		4,302,855	3,859,417
Non-Current Liabilities			
Long term liabilities	18	87,871	49,282
Deferred tax liabilities	22	1,424,088	1,179,832
		<u>5,814,814</u>	<u>5,088,531</u>

Approved for issue on behalf of Board of Directors on 7 May 2010 and signed on its behalf by:



 Desmond Young Director



 Joy Douglas Director

Pegasus Hotels of Jamaica Limited

Statement of Changes in Stockholders' Equity

Year ended 31 March 2010

(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 at 1 April 2008	120,166	120,166	3,206,394	-	24,810	3,351,370
Profit for the year	-	-	-	-	55,243	55,243
Other comprehensive income - Fair value adjustments, net of taxes:						
Land and buildings (Note 22)	-	-	498,886	-	-	498,886
Financial assets (Note 22)	-	-	-	1,984	-	1,984
Total comprehensive income	-	-	498,886	1,984	55,243	556,113
Transactions with owners -						
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
Profit for the year	-	-	-	-	17,159	17,159
Other comprehensive income - Fair value adjustments, net of taxes:						
Land and buildings (Note 22)	-	-	471,071	-	-	471,071
Financial assets (Note 22)	-	-	-	(2,734)	-	(2,734)
Total comprehensive income	-	-	471,071	(2,734)	17,159	485,496
Transactions with owners -						
Dividends paid (Note 12)	-	-	-	-	(42,058)	(42,058)
Balance at 31 March 2010	120,166	120,166	4,176,351	(750)	7,088	4,302,855

Stockholders' Equity per Stock Unit

2009	<u>\$32.12</u>
2010	<u>\$35.81</u>

Pegasus Hotels of Jamaica Limited

Statement of Cash Flows

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities		
Net profit	17,159	55,243
Adjusted for:		
Depreciation	112,565	87,475
Gain on disposal of fixed assets	(500)	(210)
Exchange gain on foreign balances	(1,217)	(7,334)
Interest income	(13,475)	(9,661)
Interest expense	16,679	12,054
Taxation expense	5,935	25,097
	<u>137,146</u>	<u>162,664</u>
Changes in operating assets and liabilities:		
Increase in inventories	(13,282)	(2,543)
Increase in receivables	(2,978)	(21,053)
Increase in payables	35,323	20,697
	<u>156,209</u>	<u>159,765</u>
Taxation paid	(17,969)	(23,985)
Net cash provided by operating activities	<u>138,240</u>	<u>135,780</u>
Cash Flows from Financing Activities		
Dividends paid	(42,058)	(48,066)
Long term loan received	100,000	50,000
Long term loan repaid	(43,841)	(34,837)
Interest paid	(16,679)	(12,054)
Net cash used in financing activities	<u>(2,578)</u>	<u>(44,957)</u>
Cash Flows from Investing Activities		
Interest received	12,297	9,661
Investments acquired	(115,046)	(60,369)
Investments disposed	85,000	-
Purchase of fixed assets	(152,282)	(116,934)
Proceeds on disposal of fixed assets	500	210
Net cash used in investing activities	<u>(169,531)</u>	<u>(167,432)</u>
	<u>(33,869)</u>	<u>(76,609)</u>
Exchange gain on net foreign cash balances	1,078	11,543
Decrease in cash and cash equivalents	(32,791)	(65,066)
Cash and cash equivalents at beginning of year	<u>45,287</u>	<u>110,353</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 17)	<u><u>12,496</u></u>	<u><u>45,287</u></u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

Pegasus Hotels of Jamaica Limited (the hotel/the company) is a company limited 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.

(b) Changes in accounting policies and disclosures

Accounting pronouncements effective in the current year affecting presentation and disclosure

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

- **IFRS 7 (Amendment), Financial instruments – Disclosures** (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change only results in additional disclosures, there is no impact on earnings per share. The enhanced disclosures required, as well as prior year comparatives, are detailed in Note 3(e).
- **IAS 1 (Revised), Presentation of financial statements** (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the company.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures

Accounting pronouncements effective in the current year affecting presentation and disclosure

- **IAS 23 (Amendment), Borrowing costs** (effective for annual periods beginning on or after 1 January 2009). The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39. This amendment has no have any impact in current year as the company does not have any qualifying assets.
- **IFRS 8, Operating Segments.** IFRS 8 replaces IAS 14 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. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the company.
- **IAS 36 (Amendment), Impairment of assets.** Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment has no impact on the current year's financial statements.

Accounting pronouncements published but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at year end date, and which the company did not early adopt. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations, and has concluded as follows:

- **IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2013). IFRS 9 addresses classification and measurement of financial assets and is available for early adoption immediately. IFRS 9 replaces the multiple classification and measurement models in IAS 39 'Financial instruments: Recognition and Measurement' with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 represents the first milestone in the IASB's planned replacement of IAS 39. Management is currently considering the implications of the standard, the impact on the company and the timing of its adoption by the company.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) 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 year end, 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 statement of comprehensive income.

(d) 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 year end date, trade and credit card receivables as well as cash and short term deposits 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 year end date, trade payables, long term liabilities and bank overdraft were classified as other financial liabilities.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) 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 and impairment.

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 statement of comprehensive income. 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 statement of comprehensive income during the financial period in which they are incurred.

(f) 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 foreign currency denominated 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 statement of comprehensive income 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 other comprehensive income are recycled to net profit as part of gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognised in the statement of comprehensive income. 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 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) 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.

(h) 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.

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents are carried 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.

(k) Trade payables

Trade payables are stated at cost.

(l) 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 statement of financial position.

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

(n) Dividends

Dividend distribution to the company's stockholders 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.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(o) Income taxes

Taxation expense in the statement of comprehensive income 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 year end 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 statement of comprehensive income, except where it relates to items charged or credited to equity, in which case deferred tax is also dealt with in equity.

(p) Employee benefit costs

The company participates in a defined 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 statement of comprehensive income in the year in which they are incurred.

(q) 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 statement of comprehensive income on a time-proportion basis using the effective interest method.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

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 results 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.

(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.

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.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process (continued)

The company's average credit period for services provided is 15 - 30 days. The company begins its assessment for impairment of receivables by reviewing balances that are outstanding for greater than 90 days and makes a full provision when it is felt that the amount will not be collected.

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.

Maximum exposure to credit risk

Credit risk exposures are as follows:

	2010	2009
	\$'000	\$'000
Investments	90,607	62,353
Trade and other receivables	67,009	67,265
Cash and short term investments	<u>21,243</u>	<u>45,345</u>
	<u>178,859</u>	<u>174,963</u>

The above table represents a worst case scenario of credit risk exposure to the company as at year end 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 \$2,870,000 (2009 - \$2,602,000). These relate to government entities which are traditionally slow-paying. The ageing analysis of these trade receivables is as follows:

	2010	2009
	\$'000	\$'000
3 to 6 months	<u>2,870</u>	<u>2,602</u>

Ageing analysis of trade receivables that are past due and impaired

At year end, trade receivables of \$1,104,000 (2009 - \$583,000) 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 over 6 months.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(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

	2010 \$'000	2009 \$'000
At 1 April	583	2,036
Receivables recovered during the year	-	(1,453)
Receivables provided for during the year	521	-
At 31 March	<u>1,104</u>	<u>583</u>

The creation and release of provision for impaired receivables have been included in the statement of comprehensive income. 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:

	2010 \$'000	2009 \$'000
Government	2,803	5,392
Non-Government	60,681	57,617
	<u>63,484</u>	<u>63,009</u>
Less: Provision for credit losses	(1,104)	(583)
	<u>62,380</u>	<u>62,426</u>

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

(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.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

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

	2010				
	Within 1	1 to 3	3 to 12	1 to 5	Total
	Month	Months	Months	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	6,566	13,021	55,837	93,437	168,861
Trade payables	-	70,706	-	-	70,706
Other payables	-	59,079	-	-	59,079
Bank overdraft	8,747	-	-	-	8,747
Total financial liabilities	15,313	142,806	55,837	93,437	307,393

	2009				
	Within 1	1 to 3	3 to 12	1 to 5	Total
	Month	Months	Months	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	4,588	9,060	35,110	59,933	108,691
Trade payables	-	61,469	-	-	61,469
Other payables	-	21,031	-	-	21,031
Bank overdraft	58	-	-	-	58
Total financial liabilities	4,646	91,560	35,110	59,933	191,249

(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, maximising foreign currency earnings whenever possible, and holding foreign currency balances.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

The table below summarises the company's exposure to foreign currency exchange rate risk at year end.

	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2010		
Financial Assets			
Investment securities	31,573	59,034	90,607
Trade and other receivables	74,380	7,041	81,421
Cash and short term investments	582	20,661	21,243
Total financial assets	106,535	86,736	193,271
Financial Liabilities			
Borrowings	148,298	-	148,298
Trade payables	70,706	-	70,706
Other payables	59,079	-	59,079
Bank overdraft	8,747	-	8,747
Total financial liabilities	286,830	-	286,830
Net financial position	(180,295)	86,736	(93,559)
	2009		
Financial Assets			
Investment securities	-	62,353	62,353
Trade and other receivables	77,691	-	77,691
Cash and short term investments	17,118	28,227	45,345
Total financial assets	94,809	90,580	185,389
Financial Liabilities			
Borrowings	92,139	-	92,139
Trade payables	61,469	-	61,469
Other payables	21,031	-	21,031
Bank overdraft	58	-	58
Total financial liabilities	174,697	-	174,697
Net financial position	(79,888)	90,580	10,692

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

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 5% devaluation and a 1% revaluation (2009 – 10% and 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 2010 %	Effect on Net Profit 2010 \$'000	Effect on Equity 2010 \$'000	% Change in Currency Rate 2009 %	Effect on Net Profit 2009 \$'000	Effect on Equity 2009 \$'000
Currency:						
USD - Positive	+5	2,891	2,891	+10	6,038	6,038
USD - Negative	-1	(578)	(578)	-5	(3,019)	(3,019)

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(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
2010						
Assets						
Investments	-	1,000	1,000	87,429	1,178	90,607
Trade and other receivables	-	-	-	-	81,421	81,421
Cash and short term deposits	21,243	-	-	-	-	21,243
Total financial assets	21,243	1,000	1,000	87,429	82,599	193,271
Liabilities						
Borrowings	5,036	10,071	45,320	87,871	-	148,298
Trade payables	-	-	-	-	70,706	70,706
Other payables	-	-	-	-	59,079	59,079
Bank overdraft	8,747	-	-	-	-	8,747
Total financial liabilities	13,783	10,071	45,320	87,871	129,785	286,830
Total interest repricing gap	7,460	(9,071)	(44,320)	(442)	(47,186)	(93,559)
2009						
Assets						
Investment	-	2,568	-	59,785	-	62,353
Trade and other receivables	-	-	-	-	77,691	77,691
Cash and short term investments	45,345	-	-	-	-	45,345
Total financial assets	45,345	2,568	-	59,785	77,691	185,389
Liabilities						
Borrowings	3,629	7,142	32,086	49,282	-	92,139
Trade payables	-	-	-	-	61,469	61,469
Other payables	-	-	-	-	21,031	21,031
Bank overdraft	58	-	-	-	-	58
Total financial liabilities	3,687	7,142	32,086	49,282	82,500	174,697
Total interest repricing gap	41,658	(4,574)	(32,086)	10,503	(4,809)	10,692

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 2010

(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 statement of financial position plus long term liabilities. The gearing ratio at year end, based on these calculations, was as follows:

	2010 \$'000	2009 \$'000
Debt	148,298	92,139
Equity	4,302,855	3,859,417
Total capital	<u>4,451,153</u>	<u>3,951,556</u>
Gearing ratio	<u>3.33%</u>	<u>2.33%</u>

(e) Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

In accordance with IFRS 7, financial instruments which are measured at fair values subsequent to initial recognition are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

At year end, the company had only Government of Jamaica investments totalling \$90,607,000 (2009 - \$62,353,000) which were carried at fair value, all of which were categorised as Level 2.

There were no transfers between levels during the year.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(f) Jamaica Debt Exchange

In February 2010, the company participated in the Jamaica Debt Exchange (JDX) transaction under which it exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the company under the election options contained in the transaction.

The key features of the JDX are as follows:

- (i) New notes allocated would be of longer duration at lower rates of interest.
- (ii) Jamaican-resident holders of certain domestic debt instruments (collectively referred to as the "Old Notes") were invited to exchange those Old Notes for new, longer-dated debt instruments (collectively referred to as the "New Notes"). Participation in the JDX was voluntary.
- (iii) The New Notes comprising 24 new instruments have a variety of payment terms, including fixed and variable rates in Jamaican dollars, CPI-indexed in Jamaican dollars, and fixed rates in U.S. dollars. While all the Old Notes were callable by the Government of Jamaica, all the fixed rate New Notes and certain variable rate New Notes will be non-callable.
- (iv) Eligible investors had the option to choose New Notes based on the type and maturity profile of the Old Notes which were offered for exchange based on certain election options. The election options only allowed investors to choose New Notes of longer tenor relative to Old Notes. Most New Notes have lower coupon interest rates than Old Notes.
- (v) Eligible investors who made offers to the Government of Jamaica to exchange Old Notes received an equivalent principal value (par-for-par value) of New Notes and the payment in cash of accrued interest, net of applicable withholding taxes, on the Old Notes up to but excluding 24 February 2010 (the Final Settlement Date).

The JDX had no significant impact on the expected future cash flows from the company's investment portfolio. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	Pre JDX	Post JDX
Jamaican dollar denominated instruments:		
Total face value exchanged J\$'000	30,046	30,046
Weighted average coupon rate	17.6%	13.3%
Weighted average tenor to maturity	0.75yr	2.6yrs
US dollar denominated instruments:		
Total face value exchanged US\$'000 (including J\$ denominated instruments indexed to US\$)	678	678
Weighted average coupon rate	11.5%	6.9%
Weighted average tenor to maturity	<u>0.1yr</u>	<u>3.4yrs</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

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 fixed assets and income taxes.

Fixed assets

Certain fixed assets are carried at fair market value as determined by independent valuers. On the instructions of management, the valuers 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 valuers to reflect differences between properties. Consequently, the determination of fair market value of the property requires that the valuers 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.

Income taxes

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

On 31 March 2009 the company was granted tax relief on certain taxes and duties for a period of 10 years under The Approved Hotel Extension (Jamaica Pegasus Hotel) Order 2009 (Note 10(d)). In determining the amount of profit subject to relief, management has applied certain metrics to the company's net profit to facilitate an apportionment of profits attributable to the Hotel extension, which profits are the subject of relief from income tax. Should the basis for apportionment change, the company's liability for taxes could also change.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The committee considers the business from a product perspective. The reportable operating segments are rooms, food and beverage, communication and other.

		2010				
		Rooms	Food & Beverage	Communication	Other	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Revenue		557,861	345,189	3,012	59,915	965,977
Segment result		477,579	94,705	(3,075)	58,830	628,039
Unallocated costs						602,420
Operating profit						25,619
		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

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

6. Other Operating Income

	2010 \$'000	2009 \$'000
Gain on sale of fixed assets	500	210
Special events	10,443	2,946
	<u>10,943</u>	<u>3,156</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Expenses by Nature

Total direct, administration and other operating expenses:

	2010	2009
	\$'000	\$'000
Advertising and promotion	37,629	37,490
Auditors' remuneration -		
Current year	2,310	2,100
Prior year	-	274
Cost of inventories recognised as an expense	179,391	178,962
Depreciation (Note 13)	112,565	87,475
Directors' emoluments	977	1,100
Equipment rental	9,870	9,071
Insurance	56,660	47,420
Repairs, maintenance and renewals	65,910	84,663
Replacement of soft furnishings	28,460	43,036
Security	19,455	21,101
Staff costs (Note 8)	243,490	252,452
Utilities	111,678	114,340
Other	82,906	54,260
	<u>951,301</u>	<u>933,744</u>

8. Staff Costs

	2010	2009
	\$'000	\$'000
Wages and salaries	179,640	198,359
Statutory contributions	15,557	14,416
Pension contribution	6,438	7,183
Other	41,855	32,494
	<u>243,490</u>	<u>252,452</u>

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

	2010	2009
	No.	No.
Full-time	209	215
Part-time	46	42
	<u>255</u>	<u>257</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

9. Finance Income

	2010 \$'000	2009 \$'000
Exchange gains on investments	679	10,546
Interest income	13,475	9,661
	<u>14,154</u>	<u>20,207</u>

10. Taxation Expense

- (a) Taxation is based on the profit for the year adjusted for taxation purposes and comprises income tax at 33 $\frac{1}{3}$ %:

	2010 \$'000	2009 \$'000
Current taxation	27,816	29,038
Adjustment to prior year provision	523	-
	<u>28,339</u>	<u>29,038</u>
Deferred taxation (Note 22)	(22,404)	(3,941)
	<u>5,935</u>	<u>25,097</u>

- (b) The tax on the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33 $\frac{1}{3}$ %, as follows:

	2010 \$'000	2009 \$'000
Profit before taxation	<u>23,094</u>	<u>80,340</u>
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	7,698	26,780
Adjusted for the effect of:		
Adjustment to prior year provision	523	-
Relieved under Approved Hotel Extension Order	(789)	-
Other charges and allowances	<u>(1,497)</u>	<u>(1,683)</u>
	<u>5,935</u>	<u>25,097</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

10. Taxation Expense (Continued)

- (c) 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 on certain capital items for ten (10) years. There is no waiver on services; and
- (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.

	2010	2009
Net profit attributable to stockholders (\$'000)	17,159	55,243
Number of ordinary stock units ('000)	120,166	120,166
Earnings per stock unit (\$)	<u>0.14</u>	<u>0.46</u>

The company has no dilutive potential ordinary shares.

12. Dividends

	2010 \$'000	2009 \$'000
Interim dividends –		
10 cents per stock unit – 8 April 2009	12,017	-
25 cents per stock unit – 18 December 2009	30,041	-
20 cents per stock unit – 9 July 2008	-	24,033
20 cents per stock unit – 5 December 2008	-	24,033
	<u>42,058</u>	<u>48,066</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

13. Fixed Assets

	Land \$'000	Buildings \$'000	Fixtures & Furnishings \$'000	Motor Vehicles \$'000	Total \$'000
	2010				
Cost or Valuation -					
At 1 April 2009	1,263,000	3,452,000	666,000	6,479	5,387,479
Additions	-	-	152,282	-	152,282
Disposals	-	-	-	(1,702)	(1,702)
Revaluation	(63,000)	748,000	-	-	685,000
At 31 March 2010	1,200,000	4,200,000	818,282	4,777	6,223,059
Depreciation -					
At 1 April 2009	-	-	382,227	3,256	385,483
Charge for the year	-	53,106	58,679	780	112,565
Disposals	-	-	-	(1,702)	(1,702)
Revaluation	-	(53,106)	-	-	(53,106)
At 31 March 2010	-	-	440,906	2,334	443,240
Net Book Value -					
At 31 March 2010	1,200,000	4,200,000	377,376	2,443	5,779,819

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

13. Fixed Assets (Continued)

	Land \$'000	Buildings \$'000	Fixtures & Furnishings \$'000	Motor Vehicles \$'000	Work in Progress \$'000	Total \$'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	3,233	-	5,001,996

Land and buildings were revalued as at 31 March 2010 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 \$6,346,000 (2009 – \$6,179,000).

14. Investment Securities

	2010 \$'000	2009 \$'000
Available for sale –		
Government of Jamaica securities		
US\$ denominated bonds	59,034	62,353
Local bonds	30,395	-
	89,429	62,353
Interest receivable	1,178	-
	90,607	62,353

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

15. Inventories

	2010 \$'000	2009 \$'000
Food and beverage	21,603	17,958
China and glassware	2,793	2,072
Other	22,303	13,387
	<u>46,699</u>	<u>33,417</u>

16. Trade and Other Receivables

	2010 \$'000	2009 \$'000
Trade receivables	63,484	63,009
Less: Provision for impairment	<u>(1,104)</u>	<u>(583)</u>
	62,380	62,426
Credit card receivables	1,462	2,237
Prepaid insurance	37,309	38,061
GCT recoverable	14,412	10,426
Other	3,167	2,602
	<u>118,730</u>	<u>115,752</u>

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.

	2010 \$'000	2009 \$'000
Cash at bank and in hand	21,243	42,777
Short term investments	<u>-</u>	<u>2,568</u>
	21,243	45,345
Bank overdraft (Note 18)	<u>(8,747)</u>	<u>(58)</u>
	<u>12,496</u>	<u>45,287</u>

One of the bank overdraft balances at 31 December 2010 resulted from unrepresented cheques.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

18. Borrowings

	2010 \$'000	2009 \$'000
Bank overdraft	8,747	58
Long term liabilities	<u>148,298</u>	<u>92,139</u>
	<u>157,045</u>	<u>92,197</u>

(a) Bank overdraft

The company has a bank overdraft facility of up to \$20,000,000 (2009 - \$12,000,000), which attracts interest at 21.9%, (2009 - 21.5%) and which is immediately rate sensitive. The overdraft facility is unsecured.

(b) Long term liabilities

	2010 \$'000	2009 \$'000
Development Bank of Jamaica Limited	148,298	92,139
Less: Current portion	<u>(60,427)</u>	<u>(42,857)</u>
	<u>87,871</u>	<u>49,282</u>

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:

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

19. Trade and Other Payables

	2010 \$'000	2009 \$'000
Trade payables	70,706	61,469
Accruals	59,079	21,031
Staff related costs	5,846	11,203
Other	<u>6,392</u>	<u>12,997</u>
	<u>142,023</u>	<u>106,700</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

20. Share Capital

	2010 \$'000	2009 \$'000
Authorised -		
121,000,000 ordinary stock units of no par value		
Issued and fully paid -		
120,165,973 ordinary stock units	<u>120,166</u>	<u>120,166</u>

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 33%.

The movement in deferred taxation is as follows:

	2010 \$'000	2009 \$'000
Balance at start of year	1,179,832	1,024,552
Credit to the statement of comprehensive income (Note 10)	(22,404)	(3,941)
Charge to equity	<u>266,660</u>	<u>159,221</u>
Balance at end of year	<u>1,424,088</u>	<u>1,179,832</u>

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 2009	3,299	1,243,385	856	1,247,540
Credit to the statement of comprehensive income	(3,072)	-	(463)	(3,535)
Charge to equity	-	267,035	-	267,035
At 31 March 2010	<u>227</u>	<u>1,510,420</u>	<u>393</u>	<u>1,511,040</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Income Taxes (Continued)

Deferred tax assets

	Fair value losses	Excess of depreciation over capital allowances	Total
	\$'000	\$'000	\$'000
At 1 April 2009	-	67,708	67,708
Credit to the statement of comprehensive income	-	18,869	18,869
Credit to equity	375	-	375
At 31 March 2010	<u>375</u>	<u>86,577</u>	<u>86,952</u>

Deferred tax liabilities/assets to be recovered after more than 10 years are \$1,510,420 and \$86,952, respectively.

Reconciliation of other comprehensive income

The tax effects of components of other comprehensive income are as follows:

	2010			2009		
	Before tax	Tax (credit)/ expense	After tax	Before tax	Tax (credit)	After tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Surplus on revaluation of buildings	738,106	(267,035)	471,071	658,107	(159,221)	498,886
Fair value adjustments of financial assets	(3,109)	375	(2,734)	1,984	-	1,984
Other comprehensive income	<u>734,997</u>	<u>(266,660)</u>	<u>468,337</u>	<u>660,091</u>	<u>(159,221)</u>	<u>500,870</u>

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

23. Related Party Transactions

During the year, the company provided services valuing \$12,855,000 (2009 – \$25,335,000) to fellow government-owned institutions. The year end balance arising from the provision of services was \$2,803,617 (2009 – \$5,391,902). These services were provided on similar terms and conditions as those provided to unconnected parties.

Key management compensation was as follows:

	2010	2009
	\$'000	\$'000
Wages and salaries	25,794	26,927
Statutory contributions	1,548	1,632
Pension contributions	1,290	1,346
Other	774	960
	<u>29,406</u>	<u>30,865</u>
Directors' emoluments –		
Fees	<u>977</u>	<u>1,100</u>

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 \$6,438,000 as an expense for the year ended 31 March 2010 (2009 - \$7,183,000), being its contribution to the plan in respect of the year.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

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.



MAJOR GROUPS HOSTED DURING THE PERIOD UNDER REVIEW

MONTHS	GROUPS
APRIL	<ul style="list-style-type: none">▣ CANADIAN STATE VISIT▣ INTERNATIONAL LABOUR ORGANISATION (ILO)
MAY	<ul style="list-style-type: none">▣ ANGLICAN CONSULTATIVE COUNCIL▣ INTERNATIONAL SEABED AUTHORITY
JUNE	<ul style="list-style-type: none">▣ TRANS WORLD INTERNATIONAL (TWI)▣ WEST INDIES CRICKET BOARD (WIBC)▣ INTERNATIONAL DEVELOPMENT BANK (IDB)
JULY	<ul style="list-style-type: none">▣ CARIBBEAN EXAMINATION COUNCIL (CXC)▣ DUKE OF EDINBURGH AWARDS
AUGUST	<ul style="list-style-type: none">▣ DIGICEL UNIVERSITY
SEPTEMBER	<ul style="list-style-type: none">▣ AUDITOR GENERAL'S DEPARTMENT
OCTOBER	<ul style="list-style-type: none">▣ CONGRESS OF EVANGELICALS IN THE CARIBBEAN
NOVEMBER	<ul style="list-style-type: none">▣ WORLD TRADE ORGANISATION▣ TANZANIA STATE VISIT
DECEMBER	<ul style="list-style-type: none">▣ JAMAICA TRADE AND INVEST/CARICOM
JANUARY	<ul style="list-style-type: none">▣ JEWISH DIASPORA▣ JAMAICA NATIONAL COMMISSION FOR UNESCO▣ DIPLOMATIC WEEK
FEBRUARY	<ul style="list-style-type: none">▣ UNITED STATES MILITARY
MARCH	<ul style="list-style-type: none">▣ WEST INDIES CRICKET BOARD (WICB)▣ OFFICE OF THE PRIME MINISTER/UNITED NATIONS ENVIRONMENTAL PROGRAMME



HISTORICAL BACKGROUND

Pegasus Hotels of Jamaica Limited, owners and operators of The Jamaica Pegasus was incorporated on 19 June 1968. It started out as a joint venture between British Airways Overseas Corporation (now British Airways), Trusthouse Forte and the people of Jamaica through the Jamaica Stock Exchange.

By agreement dated 25 October 1968, British Airways Associated Companies Limited, Trusthouse Forte International Limited and International Finance Corporation subscribed further share capital and International Finance Corporation and Barclays Bank International provided further loans.

By a Management Agreement dated 25 October 1968, the Company appointed Forte (Holdings) Limited as Manager of the Hotel for an initial term of seven (7) years commencing 15 April 1973 and a further fourteen (14) years commencing 15 April 1980.

The Hotel was partially opened from 5-11 May 1973 to accommodate the Inter American Development Bank Convention and commenced full operation on 7 July 1973. It was officially opened by the Hon. David Coore, Deputy Prime Minister and Minister of Finance and Planning on 5 September 1973.

By Memorandum of Agreement dated 8 April 1976, signed by all parties thereto, the shareholders of British Airways Associated Companies Limited and Trusthouse Forte International Limited were transferred to the Government of Jamaica in 1980. On 15 April 1980 the Company became a subsidiary of National Hotels and Properties Limited who had acquired 59.8% of the ordinary stock units. National Hotels and Properties Limited is a wholly owned subsidiary of the Urban Development Corporation, which is owned by the Government of Jamaica.



PEGASUS HOTELS OF JAMAICA LIMITED

By a management agreement dated 30 May 1994, Forte (UK) Limited was responsible for the management of the Hotel. The agreement was for a period of three (3) years commencing 1 April 1994, with an option to continue for a further term of three (3) years, subject to certain performance criteria being met.

In 1997, Forte was taken over by Granada PLC. By Management Agreement dated 29 September 1997, Meridien, SA became responsible for the management of the Hotel which was rebranded *Le Meridien Jamaica Pegasus*. The agreement was for a period of five (5) years commencing 1 April 1997, with an option to continue for a further term of five (5) years, subject to certain performance criteria being met.

By mutual agreement, Meridien, SA did not seek to renew their management contract and in 2002, the Board took the decision for the Company to manage the Hotel under its brand name ***“The Jamaica Pegasus”***.



NOTES



PEGASUS HOTELS OF JAMAICA LIMITED

FORM OF PROXY

I/We.....
of.....
being a member/members of the above-named company hereby appoint
.....
or failing him/her.....
of.....
as my/our Proxy to vote for me/us on my/our behalf at the **42nd Annual General Meeting** of the Company to be held at **81 Knutsford Boulevard, Kingston 5** in the Parish of **Saint Andrew** on **Monday, 28th June 2010** and at any adjournment thereto.

Dated this.....day of.....2010.

.....
(Signature of Member/Members)

This Form is to be used as instructed. (Please tick appropriate box). Unless otherwise instructed the Proxy Form will be used as he/she thinks fit.

Ordinary Business

	FOR	AGAINST
Resolution 1 (i)		
Resolution 1 (ii)		
Resolution 2 (i)		
Resolution 2 (ii)		
Resolution 3		

NOTES: -

1. On a poll, votes may be given either personally or by proxy.
2. To be effective, this proxy must reach the Company's Registrar at N.C.B. Jamaica (Nominees) Limited, 32 Trafalgar Road, Kingston 10, Jamaica, W. I. , not less than forty-eight (48) hours before the time appointed for holding of the meeting.
3. To this form of proxy must be affixed a one hundred dollar (\$100.00) stamp in payment of stamp duty.
4. To be effective this form of proxy must be signed by the appointer or his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
5. In the case of joint holders a proxy by the senior shall be accepted to the exclusion of the proxies of the junior holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

WHAT'S COOKING?



DAILY

SPECIALS

24-Seven Café

- Sumptuous Buffet Lunch (Mondays to Fridays)
- Salads, sandwiches, pastries, hot and cold beverages, ice cream
- Special after-midnight Menu
(Opens 24 hours a day, 7 days a week)
- Sunday Family Brunch

Fridays

- Pegasus Signature Afternoon Tea with classical entertainment (4:30pm—6:30pm)

Polo Lounge

A comfortable, upscale Bar, where Kingston's movers & shakers relax and unwind. A popular meeting place for guests.

(4:00pm-12 midnight)

Columbus Restaurant

Gourmet Cuisine at its very best.
(6:00p.m.—10:30pm)



April 2010-March 2011

24-Seven Café

With Theme Buffet Dinner Nights
(7:00p.m. –10:30p.m.)

- Mondays.....A La Carte Menu
- Tuesdays..... A La Carte Menu
- Wednesdays.....Caribbean Night Buffet
- Thursdays.....A La Carte Menu
- Fridays.....Seafood Night Buffet

Sundays

11:00p.m. –3:30p.m.....Sunday Family Brunch

Tuesdays Poolside

7:00 p.m. –10:30 p.m.....Tuesday on the Grill

Poolside Bar

9:00 am –12:00 Midnight daily

YEAR 2010

APRIL

- 11 Vintage Meets Soca
- Secretaries Week
- 25 "Jazz in the Gardens"

MAY

- 9 Mother's Day Brunch & BBQ with Entertainment

JUNE

- 20 Father's Day Brunch & BBQ with Entertainment
- 27 "Jazz in the Gardens"

JULY

- 23-24 Latin American Cultural & Food Festival



AUGUST

- Emancipation & Independence Day Brunch
- 29 Jazz in the Gardens

SEPTEMBER

- 27 High Tea & Fashions in the Gardens

OCTOBER

- 19 Heroes Day Brunch
- 31 Jazz in the Gardens
- 31 Halloween

NOVEMBER

- 25 Thanksgiving Lunch & Dinner
- 4-5 Wines, Spirits & Food Festival

DECEMBER

- 11 Live Entertainment in Polo Lounge
- 15 Caribbean Xmas Special
- 17 Seafood Fiesta
- 12 Kiddies Christmas Party
- 19 Special Jamaican Brunch
- 21 Special Tuesday on the Grill
- 25 Christmas Day Family Luncheon
- 26 Best of Jazz in the Gardens
- 31 Grand New Year's Eve Party

Year 2011

JANUARY

Happy New Year

FEBRUARY

- Black History Month Celebrations
- 14 Valentine's Day Special Dining experience
- 27 Jazz in the Gardens

MARCH

- 12-13 Wedding Expo





THE JAMAICA
PEGASUS

Kingston's Preferred Hotel

Website: www.jamaicapegasus.com



<http://www.facebook.com/JamaicaPegasus>



<http://www.twitter.com/jamaicapegasus>