THIS DOCUMENT IS IMPORTANT

**IF YOU ARE IN DOUBT HOW TO ACT,
YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER
ATTORNEY-AT-LAW, ACCOUNTANT OR
OTHER PROFESSIONAL ADVISER**

Directors' Circular

To the Stockholders of:

PEGASUS HOTELS OF JAMAICA LIMITED

in response to the Offer by:

QUIVIN HOLDINGS LIMITED

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to acquire 48,300,589 of the ordinary stock units in

PEGASUS HOTELS OF JAMAICA LIMITED

PEGASUS HOTELS OF JAMAICA LIMITED

DIRECTORS' CIRCULAR

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INTRODUCTION

January 14, 2011

From: The Take-Over Bid Advisory Sub-Committee
(the Take-Over advisory sub-committee) of
The Board of Directors (the Board)
Pegasus Hotels of Jamaica Limited
81 Knutsford Boulevard
Kingston 5

To: **The Stockholders of Pegasus Hotels of Jamaica Limited (the Pegasus or the Company)**

Quivin Holdings Limited incorporated in St. Lucia on 21 October, 2010 (the Offeror) acquired 71,865,384 ordinary stock units or 59.81% of the issued share capital of the Pegasus from National Hotel & Properties Limited (NHP) on 29 November, 2010. The price offered by the Offeror to NHP for the 71,865,384 ordinary stock units was US$11,000,000.00 which based on the Bank of Jamaica weighted average selling exchange rate as at the date of the share sale and purchase agreement was equivalent to J$13.14 per stock unit.

Mr. Kevin Hendrickson, who holds 100% of the shares of the Offeror, was the only bidder for the said stock units from a field of four (4) pre-qualified bidders selected through a competitive bidding process sanctioned by the Office of the Contractor General and initiated by the Government of Jamaica as part of the Government's divestment process.

The Offeror therefore acquired over 50% of the voting rights of the Company and is required under the Securities Act (Take-Overs and Mergers) Regulations and the Jamaica Stock Exchange General Rules governing Take-Over and Mergers to make an offer to acquire the minority shareholding of the Company. On Tuesday, 28 December, 2010, an offer letter with an attached Take-Over Bid Circular containing the terms of the offer was received from the Offeror. The offer is to purchase from you, the minority stockholders, the remaining 40.19% or 48,300,589 ordinary shares of the capital of the Company (the Offer). The price being offered is J$13.14 per stock unit (the Offer Price), being the same price per stock unit accepted by NHP.

The Offer opens at 10 a.m. on Wednesday, 19 January, 2011 (the Opening Date) and is scheduled to close at 3 p.m. on Thursday, 10 February, 2011 (the Closing Date) subject to the Offeror's right to extend the Closing Date. The procedure and requirements relating to acceptance of the Offer are set out in the Offeror's Take-over Bid Circular and the Form of Acceptance and Transfer circulated with this Directors' Circular which are all sent to you as part of the Offer.

A Take-Over advisory sub-committee comprising the independent directors of the Board, Rev. Denzil Barnes (Chairman), Mr. Christopher Bovell, Mr. Alston Douglas and Dr. The Honourable John J. Issa was appointed to review the Offer and make a recommendation to minority stockholders whether to accept or reject the Offer.

Mr. Kevin Hendrickson, who is a director of Pegasus and who is also a director and a 100% shareholder of the Offeror, did not participate in deliberations of the full Board of the Pegasus and did not receive any recommendations from the Take-Over advisory sub-committee as regards the Offer. The five other directors indirectly nominated by the Offeror to the Board, who are Mr. Milton Samuda (Chairman), Ms. Jacqueline Hendrickson, Mr. Eric Stultz, Mr. Matthew Lyn and Mr. Lance Hylton are also regarded as persons with potential conflicts of interest. They also did not participate in the deliberations of the full Board and did not receive any recommendations from the Take-Over advisory committee as regards the Offer.

This Directors' Circular is issued in accordance with the Jamaica Stock Exchange General Principles Relating to Take-Overs and Mergers and the Securities (Take-Overs and Mergers) Regulations 1999.

It is recommended that you read the Take-Over Bid Circular and the Directors' Circular carefully and that if you are in doubt how to act after your review that you consult your stockbroker, bank manager, attorney-at-law, accountant or other professional adviser.

Offer Price

The Offeror has made an offer of J$13.14 per stock unit (the Offer Price).

Financial Results

Summaries of the Pegasus' audited financial statements for the financial year ended 31 March, 2010 and from its un-audited financial statements for the six months ended 30 September, 2010 are set out below:

Selected Balance Sheet Data

	Un-Audited Six (6) Months to September 30, 2010 $'000	**Audited Year Ended March 31, 2010 $'000**
ASSETS		
Property, plant and equipment	5,709,480	5,779,819
Receivables	89,446	118,730
Inventories	48,942	46,699
Other assets	70,151	111,850
TOTAL ASSETS	**5,918,019**	**6,057,098**
LIABILITIES		
Borrowings	118,777	148,298
Payables	135,800	181,857
Deferred tax liabilities	1,424,088	1,424,088
TOTAL LIABILITIES	**1,678,665**	**1,754,243**
STOCKHOLDERS' EQUITY	4,239,354	4,302,855
TOTAL LIABILITIES AND EQUITY	**5,918,019**	**6,057,098**

Selected Income Statement Data

	Un-Audited Six (6) Months to September 30, 2010 $'000	**Audited Year Ended March 31, 2010 $'000**
Turnover	**477,627**	**965,977**
Gross Profit	**269,543**	**628,039**
Other Income	5,296	10,943
Expenses	(303,524)	(613,363)
Net finance income/(costs)	(6,310)	(2,525)
Profit Before Tax/(LOSS)	**(34,995)**	**23,094**
Taxation	-	(5,935)
Profit After Tax	(34,995)	17,159
Earnings per stock unit	**($0.29)**	**$0.14**

The audited financial statements of the Pegasus for the financial year ended 31 March, 2010 prepared by PricewaterhouseCoopers, Chartered Accountants, are set out in **Appendix 1** and form part of this Directors' Circular.

The un-audited financial statements for the six month period ended 30 September, 2010 prepared by the Financial Controller of the Pegasus, Mr. Headley O'Connor, are also set out in **Appendix 1**. The summaries for the past five financial years ended 31 March, 2010 prepared by the Financial Controller are set out in **paragraph (8) of Appendix 3**. They both form part of this Directors' Circular.

Certification by the said Financial Controller of the Pegasus confirming that in his opinion the audited financial statements for the period ended 31 March, 2010, the un-audited financial statements for the six month period ended 30 September, 2010, and the summaries for the past five financial years ended 31 March, 2010 fairly present the financial position of the Pegasus and the results of the operations for those periods under review is set out in **Appendix 2** and forms part of this Directors' Circular.

<u>Valuation of Fixed Assets</u>

As at September 30, 2010 the Pegasus' un-audited balance sheet reflects the following values for its fixed assets:

Asset	**Basis of Value**	**Net Book Value $'000**
Equipment, Fixtures & Fittings	Cost less Depreciation	337,445
Motor Vehicles	Cost less Depreciation	1,952
Freehold Land and Buildings	Cost Less Depreciation	5,370,000

At the request of the Pegasus, Stoppi Cairney Bloomfield, Chartered Quantity Surveyors, carried out a valuation of fixed assets as at June 2010. The following summarizes their estimate of the value:

Type of Asset	**Basis of Value**	**Value J$'000**
Furniture, Fixtures & Equipment	Replacement Cost	1,161,270

Stoppi Cairney Bloomfield have given their consent to the inclusion of their opinion in this Directors' Circular and their valuation and written consent are reproduced as **Appendix 4** and form part of this Directors' Circular.

Real Estate and Buildings

At the request of the Pegasus, Property Consultants Limited, Commercial Real Estate Appraisers and Valuators carried out a valuation of the real estate and buildings as at 31 March, 2010. The market value of the real estate and buildings has been assessed at **J$5,400,000,000.00.** Their valuation and their written consent are reproduced at **Appendix 5** and form part of this Directors' Circular

Trading Activities in the Pegasus Stocks

The trading activities of the Pegasus stocks on the Jamaica Stock Exchange (JSE) from June – December 2010, as set out in the Take-Over Bid, are as follows:-

MONTH	VOLUME	HIGH	LOW
June	80,433	$18.10	$16.00
July	Nil	-	-
August	390,868	$17.00	$16.50
September	4,441	$16.50	$15.15
October	14,619	$12.00	$12.00
November	311,757	$15.00	$12.00
December	5,100	$14.00	$12.00

Other Information

Changes in Directorship

The Articles of Incorporation, adopted by the Company on 25 July, 2007 provide for a minimum of three (3) and a maximum of ten (10) directors. Under Article 80 of the Articles, NHP, a subsidiary of the Urban Development Corporation, an agency of the Government of Jamaica, has the right to nominate and remove six (6) of the ten (10) directors of the Board. Upon the completion of the sale by NHP of all of its 59.81% shareholding in Pegasus to the Offeror on 29 November, 2010, the appointment of the six (6) directors nominated by NHP was terminated and those directors replaced by six (6) directors indirectly nominated by the Offeror. The directors whose appointment was terminated are:

1. Desmond Young - Chairman
2. Michael Subratie
3. Robert Russell
4. Daniella Gentles-Silvera
5. Joy Douglas
6. Dahlia Kelly

The six (6) directors nominated by the Offeror to replace those terminated were:

1. Milton Samuda - Chairman
2. Lance Hylton
3. Kevin Hendrickson
4. Jacqueline Hendrickson
5. Matthew Lyn
6. Eric Stultz

Further, under Article 80, two directors are elected by the minority stockholders. The two (2) directors so elected were:

1. Dr. The Hon. John Issa
2. Christopher Bovell

These two (2) above-named directors continue to serve on the Board

The remaining two (2) directors to make up the maximum permitted number of ten (10) directors are co-opted annually by the six (6) nominated directors and the two (2) elected directors. Their term of appointment is scheduled to end 25 January, 2011. However, given that these two co-opted directors are members of the Take-Over advisory sub-committee, the Board has decided that they shall remain directors until the next general meeting on 24 February, 2011 or such later dated as is determined by the Board.

The two (2) co-opted directors of your Board are:

1. Reverend Denzil Barnes
2. Alston Douglas

Pending Restatement and Reissue of Audited Financial Statements as at 31 March 2010

Subsequent to the release of the issued financial statements as at and for the year ended 31 March 2010 set out in **Appendix 1,** the Pegasus finalized and agreed an assessment from the Taxpayer Audit and Assessment Department (TAAD) indicating that there was an omission to deduct and remit on behalf of its employees taxes which were due on certain gratuity payments and allowances. The assessment covered the years 2005 to August 2009. The Board has requested the auditors, PricewaterhouseCoopers, to restate and reissue the Audited Financial Statements for 31 March 2010 to reflect the impact of this assessment on the financial statements for the relevant periods.

Your attention is invited to the unaudited Quarterly Financial Statements for the period ended 30 September 2010 and to Note 5 on Page 53, **Appendix 1,** which provides information on the adjustments made to that period as a result of the TAAD assessment. You are also invited to note that the Fairness Opinion prepared by Deloitte Touche Tohmatsu (Deloitte), management consultants, takes into consideration the Audited Balance Sheets and Profit and Loss Accounts for the years ended 31 March 2006 to 2010 and the in-house financial statements ended 30 November 2010 which in-house financial statements has factored into it the above-mentioned TAAD assessment.

Your directors are reviewing a draft restatement of the 31 March 2010 financial statements prepared by the auditors, PricewaterhouseCoopers, and the said restated financial statements will be reissued to stockholders after they are approved by the Board.

Take-Overs and Mergers Rules and Regulations

Appendix 3 contains information to be included in the Directors' Circular by virtue of the Securities (Take-overs and Mergers) Regulations, 1999 and the Jamaica Stock Exchange Rules Governing Take-Overs and Mergers.

Extracts from the Take-over Bid Circular

We wish to draw your special attention to the following extracts taken from paragraphs 13 and 14 of the Take-Over Bid Circular issued by the Offeror:

"13. ***Intentions of Quivin with respect to Pegasus***

Employees and Operations

13.1. Quivin recognises that as a shareholder it has no power to do anything with respect to the operational matters of the Company as this is within the sole authority of the Board of Directors which has the duty to run the Company and its business in the best interest of the Company and its shareholders including increased profitability.

13.2. The Offerer from its general observations believes that the Hotel is in need of refurbishing and operational changes in order to turn around the long standing weak revenue performance. The Offerer, at this time, is not, however, in a position to make any firm or final statement of its intentions with respect to the continued operations of the Company, its business or with respect to the employees.

Delisting

13.3. It is intended that Pegasus will be delisted from the JSE and become a non listed, privately operated, subsidiary of Quivin.

13.4. After the delisting, Pegasus will be subject to the rules and procedures applicable to a typical non listed company including provisions whereby:

- *13.4.1. transfers of shares will be subject to the approval of the directors;*
- *13.4.2. shares will not be tradeable on the floor of the JSE;*
- *13.4.3. all share transfers will render both the transferor and transferee liable to taxation, since the exemption now provided by the company's listed status will no longer apply.*

13.5. If at the end of the Offer Period Quivin has received 90% or more of the stock in Pegasus then it is Quivin's intention to procure that delisting will become effective only after the completion of the process of "Mandatory Acquisition of Minority Shares" as described in clause 13.8 below.

13.6. If at the end of the Offer Period Quivin has not received 90% or more of the stock in Pegasus, then it will be Quivin's intention to procure that delisting will become effective shortly after the Offer closes.

Dividend Policy

13.7. Quivin does not intend for Pegasus to maintain its current dividend policy. Quivin is of the view that given the poor financial position of the company any profits received may have to be reinvested including used for refurbishing, rather than paid out to shareholders as dividends.

Mandatory Acquisition of Minority Shares

13.8. If Quivin receives acceptances of 90% or more of the stock in Pegasus as a result of this Offer, it is the intention of Quivin to exercise its rights under the Companies Act of Jamaica to compulsorily acquire the shares of all other shareholders, including those who have expressly dissented or have failed to respond to this Offer.

Directors

13.9. The Articles of Incorporation give the minority shareholders the power to appoint two directors and Quivin has no comment on how that power will be exercised hereafter. Quivin anticipates that there could be changes to the composition of the rest of the Board but has reached no position on what those might be.

*14. **Directors' Emoluments***

14.1. The Offerer, at this time, is not in a position to make any firm or final statement of its intentions with respect to the total emoluments, if any, receivable by the directors of Pegasus after the acquisition of Pegasus."

Fair Value Opinion

The Board engaged Deloitte to estimate as at 28 December, 2010, the fair market value of the Pegasus' stock units as a going concern for the purpose of assessing the reasonableness of the Offer.

In developing values for the Pegasus' stock units, Deloitte considered the following three (3) approaches – the cost approach, the income approach and the sales comparison approach.

It was Deloitte's opinion that Pegasus represents an income producing investment which would be acquired by a potential purchaser on the basis of its income producing capability. It therefore relied on the income approach as the most useful in assessing the fair market value of the shares. The Discounted Cash Flow method was considered the most appropriate method to estimate the value in using the income approach given that the Pegasus' operating results have been impacted by the post 2008 global economic situation and the civil unrest in Jamaica during mid-2010. Deloitte assessed the fair market value per stock unit using this approach as between $12.95 and $20.64. On this basis Deloitte opined that the Offer Price of $13.14, which is at the lower end of the range, is within the range of values indicated by the fairness opinion.

In the sales comparison approach, Deloitte has also indicated that the share price is in the range of $14.94 and $23.06. However, Deloitte advises that it used this approach only as a reasonableness check to provide additional support for the income approach. The sales comparison approach took into consideration the reasonable market value of the Pegasus and information involving recent hotel sales transactions in arriving at this range of values. However, there was only one comparable sales transaction to consider making the sales comparison approach of limited use in this assessment.

Deloitte considered that the cost approach method is not used by market participants for the purpose for which the valuation was required.

The Fairness Opinion does not contemplate the specific tax implications to minority stockholders in the event that the Company is delisted from the JSE as mentioned in paragraph 13.3 of the Take-Over Bid Circular and has not considered the impact of a marketability discount on the share price in the event of such a delisting.

A summary of Deloitte's Fairness Opinion and its consent to reproduce the same as part of this Directors' Circular are attached as **Appendix 6.**

The Recommendation

On behalf of your Board, the Take-Over advisory sub-committee reviewed the entirety of the information set out herein, including the terms and conditions of the Offer set out in the Take-Over Bid Circular issued by the Offeror; the Fairness Opinion prepared by Deloitte; the trading information of the stock units over the past six months on the JSE, and such other information as it considered relevant.

Based on the above, the Take-Over advisory sub-committee **does not recommend** that the Offer price of **J$13.14** per stock unit be accepted by minority stockholders. This recommendation is made on the basis that although the Offer Price falls within the range of values using the income approach, it marginally falls within the range of values and is outside the range of values arrived at using the sales comparison approach.

The Take-Over advisory sub-committee also considered that the controlling shareholder of the Offeror is an experienced and successful hotelier who may be in a unique position to bring economies of scale to the marketing and operations of the Pegasus. This may enhance its share of the market and add value to the stock units of the Company off-setting the impact of a marketability discount on the share price on the delisting of the Company.

It is recommended that stockholders seek independent financial advice before making their final decision to accept or reject the Offer Price by consulting your stockbroker, bank manager, attorney-at-law or other professional advisor.

If stockholders decide to accept the Offer Price, the Board is satisfied that Quivin Holdings Limited is able to implement the Offer in full. And, should you accept this Offer, the procedure for acceptance of the Offer is set out in the Take-Over Bid Circular and the accompanying **FORM OF ACCEPTANCE AND TRANSFER** to be found in the Take-Over Bid Circular.

Documents Available for Inspection

Copies of the following documents are available for inspection on any business day during which the Offer remains in effect, between the hours of 9:00 a.m. and 4:00 p.m. at the offices of:

Pegasus Hotels of Jamaica Limited
Suite 111
First Floor, The Jamaica Pegasus
81 Knutsford Boulevard
Kingston 5

1. Articles of Incorporation of Pegasus adopted 25 July, 2007

2. Fixed Asset Valuation report as of June 2010 prepared by Stoppi Cairney Bloomfield, Chartered Surveyors.

3. Real Estate Valuation Report as at March 2010 prepared by Property Consultants Limited, Commercial Real Estate Appraisers and Valuators.

4. Fairness Opinion as at 28 December, 2010 prepared by Deloitte, Management Consultants

This Directors' Circular together with the above listed documents may be viewed on the company's website at www.jamaicapegasus.com. This Directors' Circular may also be viewed on the website of the Jamaica Stock Exchange at www.jamstockex.com.

On behalf of the Board, the Take-Over advisory sub-committee has approved the contents of this Directors' Circular and authorised its delivery to minority stockholders of the Pegasus.

On behalf of the Board of Directors of:
PEGASUS HOTELS OF JAMAICA LIMITED

Reverend Denzil Barnes, M.A. (Theology), BSc. (Econ), ACIB
Chairman, Take-Over Bid advisory sub-committee

PRICEWATERHOUSECOOPERS

FINANCIAL STATEMENTS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

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 21 to 48, 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.

PRICEWATERHOUSECOOPERS

Members of Pegasus Hotels of Jamaica Limited
Independent Auditors' Report
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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.

PricewaterhouseCoopers
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
		5,814,814	5,088,531
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
		5,814,814	5,088,531

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 (Note22)	-	-	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	$32.12
2010	$35.81

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
	137,146	162,664
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
	156,209	159,765
Taxation paid	(17,969)	(23,985)
Net cash provided by operating activities	138,240	135,780
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	(2,578)	(44,957)
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	(169,531)	(167,432)
	(33,869)	(76,609)
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	45,287	110,353
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 17)	12,496	45,287

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.

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.

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.

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.

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.

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.

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.

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

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 $'000	2009 $'000
3 to 6 months	2,870	2,602

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.

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	1,104	583

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
	63,484	63,009
Less: Provision for credit losses	(1,104)	(583)
	62,380	62,426

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 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'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 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
Borrowings	4,588	9,060	35,110	59,933	108,691
Trade payables	-	61,469	-	-	61,469
Other 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
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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
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(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.

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

(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.

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	0.1yr	3.4yrs

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

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

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.

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
	10,943	3,156

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 $'000	2009 $'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
	951,301	933,744

8. Staff Costs

	2010 $'000	2009 $'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
	243,490	252,452

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

	2010 No.	2009 No.
Full-time	209	215
Part-time	46	42
	255	257

9. Finance Income

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

10. Taxation Expense

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

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

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

	2010 $'000	2009 $'000
Profit before taxation	23,094	80,340
Tax calculated at a tax rate of 33⅓%	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	(1,497)	(1,683)
	5,935	25,097

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 wavier 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 ($'000)	17,159	55,243
Number of ordinary stock units ('000)	120,166	120,166
Earnings per stock unit ($)	0.14	0.46

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
	42,058	48,066

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
	46,699	33,417

16. Trade and Other Receivables

	2010 $'000	2009 $'000
Trade receivables	63,484	63,009
Less: Provision for impairment	(1,104)	(583)
	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
	118,730	115,752

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	-	2,568
	21,243	45,345
Bank overdraft (Note 18)	(8,747)	(58)
	12,496	45,287

One of the bank overdraft balances at 31 December 2010 resulted from unpresented 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	148,298	92,139
	157,045	92,197

(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	(60,427)	(42,857)
	87,871	49,282

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	6,392	12,997
	142,023	106,700

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	120,166	120,166

21. Capital Reserves

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

22. Deferred Income Taxes

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

The movement in deferred taxation is as follows:

	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	266,660	159,221
Balance at end of year	1,424,088	1,179,832

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	227	1,510,420	393	1,511,040

Pegasus Hotels of Jamaica Limited
Notes to the Financial Statements
31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

23. 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	375	86,577	86,952

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	734,997	(266,660)	468,337	660,091	(159,221)	500,870

24. 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 $'000	2009 $'000
Wages and salaries	25,794	26,927
Statutory contributions	1,548	1,632
Pension contributions	1,290	1,346
Other	774	960
	29,406	30,865
Directors' emoluments –		
Fees	977	1,100

25. 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.

26. 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.

PEGASUS HOTELS OF JAMAICA LIMITED

Profit and Loss Account

Period ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 2nd Quarter 30-Sep 2010 $000	Unaudited 2nd Quarter 30-Sep 2009 $000	Unaudited 6 months to 30-Sep 2010 $000	Unaudited 6 months to 30-Sep 2009 $000	Audited Year 31-Mar 2010 $000
Revenue	240,604	237,896	477,627	508,271	965,977
Direct expenses	(107,062)	(91,329)	(208,084)	(186,028)	(337,938)
Gross Profit	**133,542**	**146,567**	**269,543**	**322,243**	**628,039**
Administration expenses	(73,018)	(62,209)	(152,326)	(136,640)	(289,384)
Other operating expenses	(77,235)	(69,468)	(151,197)	(140,647)	(323,979)
Other operating income	5,068	966	5,296	1,779	10,943
Operating profit	**(11,643)**	**15,856**	**(28,684)**	**46,735**	**25,619**
Interest income	1,204	3,072	2,542	5,214	14,154
Interest expenses	(4,207)	(3,567)	(8,852)	(6,458)	(16,679)
Profit / beforeTaxation	**(14,646)**	**15,361**	**(34,995)**	**45,491**	**23,094**
Taxation	-	(3,948)	-	(11,691)	(5,935)
NET PROFIT	**(14,646)**	**11,413**	**(34,995)**	**33,800**	**17,159**
EARNINGS PER STOCK UNIT	$ (0.12)	$ 0.09	$ (0.29)	$ 0.28	$ 0.14

PEGASUS HOTELS OF JAMAICA LIMITED

Balance Sheet on 30 SEPTEMBER 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 30 Sep 2010 $'000	Unaudited 30 Sep 2009 $'000	Audited 31 Mar 2010 $'000
Non-Current Assets			
Fixed Assets	5,709,480	5,028,977	5,779,819
Investments	70,151	109,108	90,607
Current Assets			
Inventories	48,942	32,962	46,699
Accounts receivable	89,446	80,304	118,730
Cash and short term deposits	0	21,970	21,243
	138,388	135,236	186,672
Current Liabilities			
Accounts payable	103,898	68,834	170,529
Bank overdraft	9,538	3,639	8,747
Taxation payable	22,363	22,613	31,087
Current portion of long term liabilities	60,427	42,857	60,427
	196,227	137,943	270,790
Net Current Assets	(57,839)	-2,707	(84,118)
	5,721,792	5,135,378	5,786,308
FINANCED BY:			
Share Capital	120,166	120,166	120,166
Capital Reserves	4,176,351	3,705,280	4,176,351
Fair value reserve	(750)	1,984	(750)
Retained earnings	(56,413)	25,264	(21,418)
	4,239,354	3,852,694	4,274,349
Long Term Liabilities	58,350	102,852	87,871
Deferred Tax liabilities	1,424,088	1,179,832	1,424,088
	5,721,792	5,135,378	5,786,308

.... Director

.... Director

PEGASUS HOTELS OF JAMAICA LIMITED

Statement of Changes in Stockholders' Equity

Six (6) Months ended 30 September,2010

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares 000	Share Capital $'000	Capital Reserve $'000	Replacement Reserve $'000	Fair Value Reserve	Retained Earnings $'000	Total $'000
Balance as at 1 April 2009	120,166	120,166	3,705,280	-	1,984	31,987	3,859,417
Profit for the Year						(11,347)	(11,347)
Other comprehensive income -							
Fair value adjustments, net of taxes:							
- Land and buildings	-	-	471,071	-		-	471,071
- Financial assets					(2,734)		(2,734)
Total Comprehensive Income for 2009/2010	-	-	471,071	-	(2,734)	(11,347)	456,990
Dividends paid	-	-				(42,058)	(42,058)
	-	-	-	-		-	-
Balance at 31 March 2010	120,166	120,166	4,176,351	-	(750)	(21,418)	4,274,349
Loss for 1st half 2010/2011						(34,995)	(34,995)
Other comprehensive income -							
Fair value adjustments, net of taxes:							
- Land and buildings	-	-	-	-		-	-
- Financial assets					-		-
Total Comprehensive Income for quarter 30 September 2010	-	-	-	-	-	(34,995)	(34,995)
Dividends paid	-	-				-	-
	-	-	-	-		-	-
	-	-	-	-		-	-
Balance at 30 September 2010	120,166	120,166	4,176,351	-	(750)	(56,413)	4,239,354
Balance at 30 September 2009	120,166	120,166	3,705,280	-	1,984	25,264	3,852,694

PEGASUS HOTELS OF JAMAICA LTD

Statement of Cash Flows

Period ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	6 Months to 30/9/2010 $000	6 Months to 30/9/2009 $000	Audited 30/03/2010 $000
Cash Flow from Operating Activities	-	-	-
Net Profit	(34,995)	33,800	(11,347)
Adjusted for:			
Depreciation	70,721	55,229	112,565
(Gain) /Loss on disposal of fixed assets	-		(500)
Exchange gain on foreign balances	-		(1,217)
Interest income	(2,542)	(5,213)	(13,475)
Interest expense	8,852	6,458	16,679
Taxation expense	-		5,935
	42,037	90,274	108,640
Changes in operating assets and liabilities:			
Inventories - (increase)/decrease	(2,243)	455	(13,282)
Receivables - (increase)/decrease	29,284	35,448	(2,978)
Payables - increase/(decrease)	(66,631)	(54,681)	63,829
	2,447	71,496	156,209
Taxation paid	(8,724)	(9,795)	(17,969)
Net cash provided by operating activities	(6,277)	61,701	138,240
Cash Flows From Financing Activities			
Dividend paid	-	(12,017)	(42,058)
Long term loan received	-	75,000	100,000
Long term loan repaid	(29,521)	(21,429)	(43,841)
Interest paid	(8,852)	(6,457)	(16,679)
Net cash (used in)/provided by financing activities	(38,373)	35,097	(2,578)
Cash Flows from Investing Activities			
Interest received	2,542	5,213	12,297
Investments	20,456	(46,755)	(30,046)
Purchase of fixed assets	(381)	(82,212)	(152,282)
Proceeds on disposal of fixed assets	-		500
Net cash used in investing activities	22,617	(123,754)	(169,531)
	(22,034)	(26,956)	(33,869)
Exchange gain on net foreign cash balances	-	-	1,078
Net increase /(decrease) in cash and cash equivalent	(22,034)	(26,956)	(32,791)
Cash and short term deposits at beginning of year	12,496	45,287	45,287
CASH AND SHORT TERM DEPOSITS AT END OF PERIOD	**(9,538)**	**18,331**	**12,496**
Add Investments	70,151	109,108	90,607
CASH AND CASH EQUIVALENT AT END OF PERIOD	**60,613**	**127,439**	**103,103**

PEGASUS HOTELS OF JAMAICA LIMITED
Notes to the Quarterly Financial Statements
30 September 2010

1. Identification and Principal Activity

Pegasus Hotels of Jamaica Limited 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 publicly listed company and its registered office is 81 Knutsford Boulevard, Kingston 5.

2. Significant Accounting Policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the Companies Act 2004.

These financial statements have been prepared using the same accounting policies and methods of computation as compared with the audited financial statements for the year ended March 31, 2009.
The financial statements are prepared using the historical cost basis.

3. Other Operating Income

Other income is comprised of gains on foreign currencies. It also includes other miscellaneous income.

4. Hotel Incentives

Under Section 4 of the Hotel (Incentives) Act (1990) the Approved Hotel Extension (Jamaica Pegasus Hotel) Order 2009 was granted for a period of ten (10) years commencing March 31, 2009. The Hotel will benefit from waiver of GCT and Customs Duty on eligible items and relief on corporate tax arising from the hotel operations.

5. Tax Audit for Years 2005 to August 2009.

These financials include adjustments for the captioned.
Current Year adjustment of 8.83million reflecting on all financial statements.
Prior Year adjustment of 28.51 million were reflected primarily on the Statement of Stockholders Equity , the Balance Sheet and Cash Flow statement.

PEGASUS HOTELS OF JAMAICA LIMITED

81 Knutsford Boulevard
P.O. Box 333, Kingston 5
Jamaica, West Indies

Tele:- (876) 926-3691-9
Facsimile: (876) 968-2165

E-mail: jmpegasus@cwjamaica.com
Website: http:/www.jamaicapegasus.com

APPENDIX 2
CERTIFICATION OF FINANCIAL CONTROLLER

January 14, 2011

The Board of Directors
Pegasus Hotels of Jamaica Limited
81 Knutsford Boulevard
Kingston 5

Dear Sirs:

Re: Certification of Financial Controller

I, Headly O'Connor, Financial Controller of Pegasus Hotels of Jamaica Limited (PHJL), hereby certify that the Audited Financial Statements for the year ended 31 March, 2010, the Unaudited Financial Statements for the period ended 30 September 2010, and the summaries for the past five (5) financial years ended 31 March, 2010 which all form part of this Directors' Circular, fairly reflect the financial position of PHJL over the period in question.

Please note that the financial statements are subject to change as our Auditors will adjust prior years to reflect proportionately the effects of the Tax Audit assessment for Years 2005 to August 2009 of the company's financials.

Yours sincerely,
PEGASUS HOTELS OF JAMAICA LIMITED

....
HEADLY O'CONNOR
FINANCIAL CONTROLLER

APPENDIX 3

INFORMATION TO BE INCLUDED IN THE DIRECTORS' CIRCULAR BY VIRTUE OF THE SECURITIES (TAKE-OVERS AND MERGERS) REGULATIONS, 1999 AND THE JAMAICA STOCK EXCHANGE RULES GOVERNING TAKE-OVERS AND MERGERS

(1) (a) As far as the Directors are aware, the number of Pegasus stock units directly or indirectly owned by each Director, officer and senior manager of Pegasus is outlined below:

Directors	No. of Stock units Directly owned	No. of Stock units Indirectly owned
John J. Issa	9,169,568	Nil
Christopher Bovell	2,157	Nil
Milton Samuda	Nil	Nil
Kevin Hendrickson	10,000	Nil
Lance Hylton	Nil	Nil
Jacqueline Hendrickson	Nil	Nil
Matthew Lyn	Nil	Nil
Eric Stultz	15,500	Nil
Rev. Denzil Barnes	Nil	Nil
Alston Douglas	Nil	Nil
Senior Managers		
Eldon Bremner	Nil	39,375
Charmaine Blackwood	14,571	Nil
Headley O'Connor	Nil	Nil
Marlene McLean	Nil	Nil

(b) To the knowledge of your Directors and the senior officers of PHJL after reasonable enquiry, the persons holding more than 10% of the voting rights of Pegasus are:

	Stockholding	Percentage of Stock units in Book
Quivin Holdings Limited	71,865,384	59.81%
Middle East Ventures Limited	19,840,103	16.51%

(2) As far as the Directors are aware none of the beneficial owners mentioned at 1(a) and (b) above have accepted or intend to accept the Offer made by the Offeror.

(3) As far as your Directors are aware, 100% of the shares of Quivin Holdings Limited is beneficially owned by the above-named director of the Pegasus, Mr. Kevin Hendrickson.

(4) As far as the Directors are aware and after due enquiry, no arrangements or agreements have been made or have been proposed between Quivin Holdings Limited and any of the Directors or officers of the Pegasus whether for compensation of loss of office or relating to their remaining in or retiring from office, if the Offer is successful.

(5) As far as the Directors are aware, no Director or officer of the Pegasus, and no person or company beneficially holding over 10% of the voting rights of the Pegasus, has any interest in any material contract to which the Pegasus is a party.

(6) Under 'Financial Results' in the Directors' Circular, the financial results of the Pegasus for the six months ended 30 September, 2010 and for the year ended 31 March, 2010 are disclosed. Except as herein disclosed at page 9, the Directors are not aware of any material change in the financial position and prospects of the Pegasus.

(7) As far as the Directors are aware, none of the Directors, Senior Managers or Officers of the Pegasus has purchased Pegasus stock units or Quivin Holdings Limited's shares in the last thirty (30) days.

(8) The Pegasus profit and loss summaries extracted from the audited financial statements for the five financial years ended 31 March, 2010 are set out below:

5 Year Summary Profit & Loss Account	**2010** **$'000**	**2009** **$'000**	**2008** **$'000**	**2007** **$'000**	**2006** **$'000**
Sales	**965,977**	**1,003,000**	**676,291**	**738,015**	**658,433**
Gross Profit	**25,619**	**72,187**	**61,796**	**45,342**	**15,191**
Other Operating Income	**10,943**	**3,156**	**205,940**	**5,697**	**5,823**
Expense	**(613,363)**	**(588,085)**	**(551,655)**	**(423,320)**	**(395,454)**
Net Finance (Costs)/Income	**(2,525)**	**8,153**	**1,382**	**7,976**	**12,027**
Deferred Profit Transfer	**--**	**--**	**--**	**--**	**--**
Profit Before Tax	**23,094**	**80,340**	**63,178**	**53,318**	**27,218**
Net Profit	**17,159**	**55,243**	**39,015**	**41,080**	**17,402**

5 Year Summary Balance Sheet	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Total Assets	**6,057,098**	**5,258,863**	**4,556,835**	**3,877,873**	**3,441,730**
Total Liabilities	**1,754,243**	**1,399,446**	**1,205,465**	**1,020,360**	**939,434**
Total Stockholders' Equity	**4,302,855**	**3,859,417**	**3,351,370**	**2,857,513**	**2,502,296**

Above are prepared in accordance with International Financial Reporting Standards (IFRS).

(9) The audited financial statements for the year ended 31 March, 2010 and the un-audited financial statements for six (6) months ended 30 September, 2010 are attached as Appendix 1 of the Directors' Circular.

(10) The Pegasus' fixed assets were valued as at June 2010 by Stoppi Cairney Bloomfield, Chartered Surveyors on the basis of open market values. Their summary report appears in Appendix 4:

The Pegasus' balance sheet as at 30 September, 2010 reports the following other assets that are material in determining the net asset value of the company:

	$'000	Basis of Valuation
Receivables	**89,446**	**Carrying values**
Inventories	**48,942**	**Lower of Cost or Net Realizable Value**

(11) The Directors are not aware of any other material fact affecting the Pegasus that has not been disclosed herein.

STOPPI • CAIRNEY • BLOOMFIELD
QUANTITY SURVEYORS
CONSTRUCTION COST CONSULTANTS
Suite No. 9, Shortwood Professional Centre, 40 Shortwood Road, Kingston 8, Jamaica
Postal Address: P.O. Box 166, Kingston 10, Jamaica Tel. (876) 941-8003-6 Fax (876) 941-8007
email: scb@cwjamaica.com

January 18, 2011

The Board of Directors
Pegasus Hotels of Jamaica Limited
81 Knutsford Boulevard
Kingston 5

Dear Sirs,

Re: **Letter of Consent**

With specific reference to the issuance by Pegasus Hotels of Jamaica Limited (PHJL) of a Directors' Circular in response to the Offer to acquire its minority shareholding by Quivin Holdings Limited, we hereby give our formal consent to the inclusion of our Replacement Cost Assessment of the Furniture, Fixtures & Equipment as at June 2010 in the Directors' Circular.

Yours sincerely,
STOPPI CAIRNEY BLOOMFIELD

....
Maurice Stoppi

STOPPI•CAIRNEY•BLOOMFIELD
QUANTITY SURVEYORS
CONSTRUCTION COST CONSULTANTS

Suite No. 9, Shortwood Professional Centre, 40 Shortwood Road, Kingston 8, Jamaica
Postal Address: P.O. Box 166, Kingston 10, Jamaica Tel. (876) 941-8003-6 Fax (876) 941-8007
email: scb@cwjamaica.com

January 18, 2011

The Board of Directors
Pegasus Hotels of Jamaica Limited
81 Knutsford Boulevard
Kingston 5.

Dear Sirs,

Re: Summary of Replacement Value on Fixed Assets

At the request of Pegasus Hotels of Jamaica Limited (PHJL), we carried out a Replacement Cost Assessment of the Hotel's Furniture, Fixture and Equipment (FF&E). The following summarizes our opinion of the value of FF&E in the following departments as at June 2010:

Departments in which FF&E are located	Value J$
Rooms & Housekeeping	418,057,200.00
Engineering & Maintenance	243,436,600.00
Food & Beverage Department	220,211,200.00
Banqueting Department	69,676,200.00
Administration Department	46,450,800.00
Safety & Security	58,493,600.00
Medical, Grounds & Sundries	104,944,400.00
	J$1,161,270,000.00

We accordingly estimate the current replacement value of the FF&E as at June 2010 at J$1,161,270,000.

Yours sincerely,
STOPPI CAIRNEY BLOOMFIELD

Maurice Stoppi

APPENDIX 5

Property Consultants Limited

12 Trinidad Terrace, Kingston 5, Jamaica. Tel: (876) 929-5462, 929-6062, 929-7112, 929-8304, Fax: (876) 929-7139, Email: pclja@yahoo.com

"Jamaica's Business Real Estate Company"

CONSENT LETTER AND SUMMERY VALUATION FROM PROPERTY CONSULTANTS LIMITED

December 30, 2010

The Board of Directors
Pegasus Hotels of Jamaica Limited
81 Knutsford Boulevard
Kingston 5

Dear Sirs:

Re: Letter of Consent

With specific reference to the issuance by Pegasus Hotels of Jamaica Limited (PHJL) of a Directors' Circular in response to the Offer to acquire its minority shareholding by Quivin Holdings Limited, we hereby give our formal consent to the inclusion of our valuation report of the Real Estate as at March 2010 in the Directors' Circular.

Yours Sincerely
PROPERTY CONSULTANTS LIMTIED

MARK C. HARRIS
Managing Director

CMH:yg

VALUATION SUMMARY
ON
THE JAMAICA PEGASUS HOTEL
81 KNUTSFORD BOULEVARD
NEW KINGSTON
KINGSTON 5
JAMAICA WEST INDIES

Reference No. 10/0017

INTEREST BEING VALUED	:	*The unencumbered freehold estate and interest as at March 31, 2010*
TITLE REFERENCES	:	*Volume 1062 Folio 690* *Volume 1361 Folio 477*
OWNERSHIP STATUS	:	*Pegasus Hotels of Jamaica Limited.*
CATEGORY OF USE	:	*Commercial.*
PRESENT USE	:	*Hotel (Business & Leisure purposes)*
TOTAL LAND AREA	:	*8.284 Acres (3.355 Hectares)*
TOTAL BUILDING AREA	:	*Approximately 23,680.3 sq. m. (254,895 sq. ft.)*
TOTAL NO. OF ROOMS	:	*360 Rooms (Presently 324 offered for Guest Rooms)*

Ref: 10/0017

VALUATION AS AT MARCH 31, 2010

COST APPROACH	:	*JA$7,200,000,000.00*
INCOME APPROACH	:	*JA$3,332,000,000.00*
DIRECT SALES COMPARISON APPROACH:		*JA$5,400,000,000.00*
OPEN MARKET VALUE	:	*JA$5,400,000,000.00*
FORCED SALE VALUE	:	*JA$4,320,000,000.00*
REPLACEMENT COST OF BUILDINGS	:	*JA$6,000,000,000.00*

Deloitte.

Deloitte Touche Tohmatsu
Management Consultants
7 West Avenue, Kingston Gardens
P.O. Box 13, Kingston 4, Jamaica, W.I.
Tel: (876) 922 6825-7
Fax: (876) 922 7673
http://www.deloitte.com/jm
42B & 42C Union Street
Montego Bay, Jamaica, W.I.
Tel: (876) 952 4713-4
Fax: (876) 979 0246

DIAMOND ANNIVERSARY 1949 – 2009
60
CONTINUING TO BE ONE STEP AHEAD

APPENDIX 6

CONSENT LETTER AND SUMMARY OF THE FAIRNESS OPINION FROM DELOITTE TOUCHE TOHMATSU

CONSENT OF CONSULTANTS

PEGASUS HOTEL OF JAMAICA LIMITED

DIRECTORS' CIRCULAR

WE, DELOITTE TOUCHE TOHMATSU, Management Consultants have given and have not withdrawn our consent to reproduce our fairness opinion in the Directors' Circular related to the offer from Quivin Holdings Limited to purchase the remaining 48,300,589 shareholding held by minority shareholders, at a price of $13.14 per share.

DATED the 12th day of January, 2011.

SIGNED for and on behalf of)
DELOITTE TOUCHE THOMATSU by)
) Deloitte Touche Tohmatsu
its duly authorized signatory)
in the presence of:)

R. Roberts

WITNESS

Deloitte.

Deloitte Touche Tohmatsu
Management Consultants
7 West Avenue, Kingston Gardens
P.O. Box 13, Kingston 4, Jamaica, W.I.
Tel: (876) 922 6825-7
Fax: (876) 922 7673
http://www.deloitte.com/jm
42B & 42C Union Street
Montego Bay, Jamaica, W.I.
Tel: (876) 952 4713-4
Fax: (876) 979 0246

DIAMOND ANNIVERSARY 1949 – 2009
60
CONTINUING TO BE ONE STEP AHEAD

3003357-C/NR

January 11, 2011

Rev. Denzil Barnes
Director
Pegasus Hotels of Jamaica Limited
81 Knutsford Boulevard
KINGSTON 5

Dear Rev. Barnes:

Fairness Opinion Related to Quivin Holdings Limited's (QHL) acquisition of Pegasus Hotels of Jamaica Limited (PHJL)

1.0 INTRODUCTION

1.1 Deloitte has been engaged by the Board of Directors of PHJL to provide a written fairness opinion (the "Fairness Opinion") related to offer from QHL to purchase the remaining shares of PHJL.

1.2 Deloitte was also engaged to prepare a formal valuation report for PHJL in connection with this Fairness Opinion.

2.0 PURPOSE OF THE FAIRNESS OPINION

2.1 We understand that the Board of Directors of PHJL requires our Fairness Opinion to be included in the Directors' Circular to be filed with regulatory authorities and will be shared with the security holders.

2.2 Any recipient of the Fairness Opinion acknowledges the restrictions in its use and circulation stated herein.

2.3 All amounts set out in this opinion letter are stated in Jamaican dollars unless otherwise stated.

3.0 **TRANSACTION AND CONSIDERATION**

3.1 PHJL, a company limited by shares was incorporated under the Laws of Jamaica. The National Hotels and Properties Limited (NHP), a wholly-owned subsidiary of Urban Development Corporation (UDC), which is owned by the Government of Jamaica (GOJ) held 59.81% of PHJL's shares that were recently disposed of to QHL as part of GOJ's divestment programme. PHJL owns and operates The Jamaica Pegasus Hotel (JPH). PHJL is a public listed company with its registered office at 81 Knutsford Boulevard, Kingston 5.

3.2 QHL, on December 28, 2010, issued a Take-Over Bid Circular offering to purchase at $13.14 per share, the remaining 48,300,589 shares (40.19%) held by minority shareholders. Deloitte Touche Tohmatsu (DTT) was requested by PHJL to estimate as at December 28, 2010 the fair value of its shares as a going concern. The Fair Market Value is defined as the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under any compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. Given the objective of this valuation, the Fair Value is the estimated price for the transfer of an asset or liability between identified and knowledgeable parties that reflects the respective interests of those parties.

4.0 **CREDENTIALS OF DELOITTE**

4.1 Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of 169,000 people worldwide, Deloitte delivers services in four professional areas — audit, tax, consulting and financial advisory services — and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients and successful, fast-growing global growth companies. Last year global revenues totaled US$30 billion.

4.2 Deloitte has the largest global valuation practice with over 800 valuation practitioners worldwide offering business and intangible assets valuations, stock option valuations, fairness opinions, tangible asset valuation and dispute resolution support services. Deloitte's global valuation services group has provided valuation services to multinational corporations such as GE, IBM, Pfizer, Bloomberg, Exxon-Mobil, Toshiba and Mitsibushi Corp and on hotels such as Sheraton, Ritz Carlton and Intercontinental Hotels Group.

5.0 INDEPENDENCE OF DELOITTE

Deloitte is not an insider, associate or affiliate of QHL or PHJL. Neither Deloitte nor any of its affiliates is an advisor to any of the parties in respect of the arrangement. No part of Deloitte's fee is contingent upon the conclusions reached in this Fairness Opinion or upon the successful completion of the acquisition.

6.0 SCOPE OF REVIEW

In connection with preparing and rendering this Fairness Opinion, Deloitte have reviewed and relied upon, among other information, the following:

1. Audited financial statements for the last five years, budget for the current financial year and any prospective financial information.

2. Discussions with the management of PHJL with respect to the historic and current operations, future prospects and other relevant business and industry trends.

3. Other corporate, industry and financial market information, and analyses as Deloitte considered necessary or appropriate in the circumstances.

4. A letter of representation from management of PHJL wherein the management confirmed the accuracy of certain facts, and confirm certain representations made to us including a general representation that they had no information or knowledge of any facts or material information, in their view, that would reasonably be expected to affect our conclusion as to the fairness of the value.

7.0 RESTRICTIONS AND LIMITATIONS

The Fairness Opinion is subject to the following restrictions, limitations, and qualifications, changes to which could have a significant impact on Deloitte's assessment of the fairness of value:

1. The Fairness Opinion has been prepared for the Board of Directors of PHJL and is intended for inclusion in the Circular to be distributed to the Securityholders. The Fairness Opinion is not to be used for any purpose other than as stated herein, and except as provided in the last sentence of this paragraph, is not intended for general circulation, nor is it to be published or made available to other parties in whole or in part without Deloitte's prior written consent in each specific instance. We do not assume any responsibility or liability for losses incurred by any parties as a result of

7.0 **RESTRICTIONS AND LIMITATIONS** (Cont'd)

the circulation, publication, reproduction, or use of the Fairness Opinion contrary to the provisions of this paragraph. Deloitte consents to the inclusion of the Fairness Opinion issued under this engagement letter in a form acceptable to Deloitte in the Circular, and to the filing thereof, as necessary, by PHJL with the applicable securities commissions, stock exchanges or similar regulatory authorities in Jamaica.

2. Deloitte is not required to provide any legal or other professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.

3. This Fairness Opinion is rendered as of December 28, 2010 on the basis of securities markets and economic and general business and financial conditions prevailing on such date and the condition and prospects, financial and otherwise, of PHJL as they were reflected in the information and documents that were reviewed by Deloitte and as represented to Deloitte in discussions with management.

4. Deloitte disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to Deloitte's attention after the issue date. Without limiting the foregoing, in the event that there is a material change in any fact or matter affecting this Fairness Opinion after the issue date, Deloitte reserves the right to change, modify or withdraw the Fairness Opinion.

5. The Fairness Opinion is not to be construed as a recommendation to any Director or Securityholder to accept or reject the proposed Offer. The Fairness Opinion does not provide assurance that the best possible price was obtained for the shares. Deloitte has not been retained to comment on the investment or strategic merit of the Offer or the future operations. Future business conditions are subject to change and are beyond the control of Deloitte.

6. The Fairness Opinion does not contemplate the specific tax implications to individual Securityholders, especially in the event of PHJL being delisted from the JSE as per Clause 13-3 of the Circular. We have not considered the impact of a marketability discount on the share price in the event of being delisted from the JSE.

7.0 RESTRICTIONS AND LIMITATIONS (Cont'd)

7. In preparing the Fairness Opinion, we were not required to expose the assets to the market to determine whether some third party purchasers would be prepared to negotiate prices and/or consideration for the acquisition of the assets other than that offered by QHL. We were not required to solicit expressions of interest from, or negotiate with, any third parties concerning potential alternatives to the Offer.

8. Deloitte has not independently verified the accuracy and completeness of the financial and other information supplied to us by management of PHJL. Deloitte has relied upon and assumed, where reasonable, the completeness, accuracy, and fair presentation of all the financial and other information, data, advice, opinions, representations, and other material obtained by us from public sources or provided to us by, on behalf of or at the request of Management or the Board of Directors, and this Fairness Opinion is conditional upon such completeness, accuracy, and fair presentation.

9. The title to all assets, properties, or business interests purportedly owned by PHJL are assumed to be good and marketable and there are no adverse interests, encumbrances, engineering, environmental, zoning, planning, or related issues associated with these interests and that the subject assets, properties, or business interests are free and clear of any and all liens, encumbrances, and encroachments.

10. There were no material contingent or unrecorded liabilities (including taxes), environmental liabilities, and litigation pending or other than as noted in the financial statements;

11. Should any of the above assumptions not be accurate or should any of the other information provided to us not be factual or correct, our Fairness Opinion, as expressed herein, could be different.

8.0 APPROACH TO REACHING FAIRNESS OPINION

8.1 **Approaches Considered**

Three approaches are typically used to estimate value in an appraisal:

- Cost approach
- Income approach
- Sales comparison approach

8.0 **APPROACH TO REACHING FAIRNESS OPINION** (Cont'd)

8.2 The subject property represents an income producing investment which would be acquired by potential purchasers on the basis of its income producing capability. As such, our valuation has relied on the Income Approach, and supported with the Sales Comparison Approach. The cost approach is not used by market participants for the purpose identified in Section 3 when pricing an asset such as the subject.

8.3 **Income Approach**

8.3.1 PHJL's recent operating results have been impacted by the post 2008 global economic situation and the civil unrest experienced during the mid-2010. Consequently, the recent performance is not reflective of stabilized earnings, and therefore we considered the Discounted Cash Flow (DCF) method as the most appropriate method to estimate value under the income approach.

8.3.2 Under DCF method, forecast cash flows are discounted back to the present date, generating a net present value for the cash flow stream of the business. A terminal (reversionary) value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

8.3.3 **Key Assumptions**

(a) Capitalization (cap) & Discount Rates: We have used the published cap rates for similar properties in the US, adjusted to reflect additional risks attached to the Caribbean and Jamaica. Having regard to relevant risks associated, we estimated the cap rate and discount rate at 11.5% and 14.5% respectively. Reversionary cap rate was taken at 12%.

(b) Occupancy Rates: Based on our review of occupancy rates for Kingston, actual occupancy rates of the subject property and management's plans, the occupancy rates have been projected to be between 53% and 58%.

(c) Room Rates: ADR for 2011/12 has been projected at US$125. Room rates have been projected based on our research and management's expectations. Projected future increases have taken into account of the impact of potential new hotel developments in Kingston such as Courtyard by Marriot.

8.0 **APPROACH TO REACHING FAIRNESS OPINION** (Cont'd)

8.3.4 Using the DCF method we estimated the fair value of a share at $16.64. This estimate of fair value is sensitive to a number of assumptions. Therefore, we have used Monte Carlo Simulation to assess the impact of the above key variables on the estimated value, based on the following parameters which we considered as covering a probable range of values for each key variable:

- Discount factor: +/- 1% change in discount factor.
- Occupancy: +/- 3% change in the overall occupancy rate for each year
- Room rate: +/- US$10 for 2011/12 which will also impact rates for subsequent years.

8.3.5 Based on our analysis, the simulation model predicts a range of values between $12.95 and $20.64 per share with a certainty level of 95%, assuming that the variables will be within the set parameters.

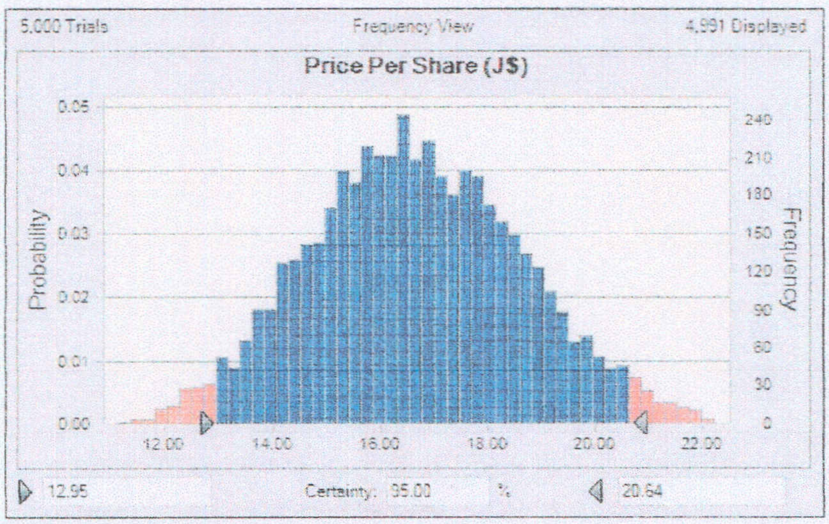


Figure 1

8.0 APPROACH TO REACHING FAIRNESS OPINION (Cont'd)

The relevant statistics are given in Table 1.

	$
Mean	16.64
Median	16.60
Standard Deviation	1.97
Minimum	11.01
Maximum	22.84

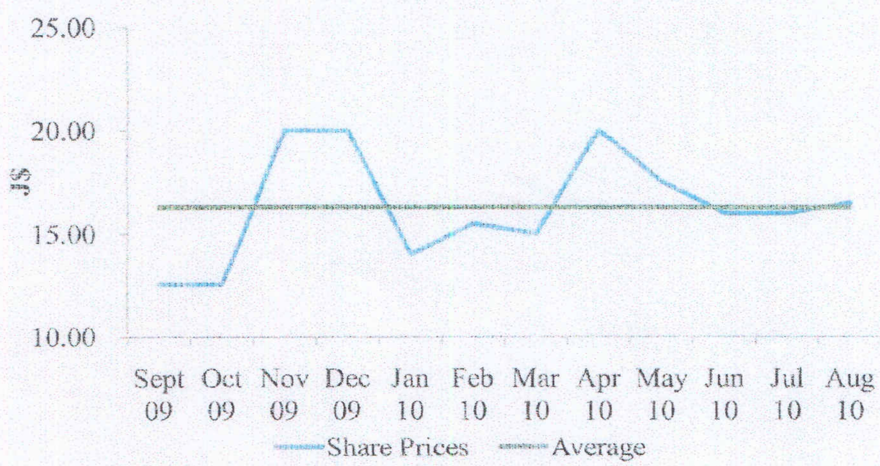
Table 1

8.4 Sales Comparison Approach

8.4.1 This approach has been used in this report as a reasonableness check and to provide additional support for the income approach. In order to estimate a reasonable market value for the subject property, information has been assembled involving recent hotel sale transactions that were then compared to the subject. However, we concluded that, of the sale transactions considered, only the sale of Hilton Hotel, Kingston in 2008 was comparable to the subject property.

8.4.2 Based on our analysis, and after making adjustments for comparability and other balance sheet items, the indicative share price using sales comparable approach was in the range of J$14.94 and J$23.06 per share.

8.4.3 Figure 8.1 shows the month-end share prices for 12 months preceding the announcement of the Agreement for privatization of NHP shares. The simple average of share price for the said 12 months amounted to $16.29 which is within the range of fair values of $12.95 and $20.64 generated by the simulation model.



3003357-C/NR

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January 11, 2011

9.0 FAIRNESS CONCLUSION

9.1 The subject property represents an income producing property which would be acquired by a potential purchaser on the basis of its income producing capability. Therefore, we considered the income approach to be the key approach in determining fair value. As noted in Section 8.4.1, there is only one comparable sales transaction, and therefore, the sales comparison approach is of limited use.

9.2 The income approach generated a value of $16.64 per share, which is within the range of values indicated using the sales comparison approach. As noted in section 8, this value is sensitive to a number of assumptions, and therefore, a single point estimate is insufficient to determine the range of acceptable values. Therefore, we have used the Monte Carlo Simulation to assess the impact of the key variables and to determine the acceptable range of values. The simulation model has generated a range of values between $12.95 and $20.64, at a 95% level of confidence if the variables remain within the limits considered. The offer price of $13.14 is at the lower end of the above range.

9.3 Based upon and subject to the foregoing and such other matters Deloitte considered to be relevant, Deloitte is of the opinion that, as at the date hereof, the offer price of $13.14 is within the range of values indicated above.

Yours truly,

Deloitte Touche Tohmatsu

AJ: