PRICEWATERHOUSECOOPERS

Pegasus Hotels of Jamaica Limited

Financial Statements
31 March 2010

Pegasus Hotels of Jamaica Limited
Index
31 March 2010

PRICEWATERHOUSECOOPERS

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Independent Auditors' Report

To the Members of
Pegasus Hotels of Jamaica Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Pegasus Hotels of Jamaica Limited, set out on pages 1 to 37, 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

Emphasis of Matter

We draw attention to Note 26 of these financial statements, which provides details of a restatement and re-issue of the previously issued financial statements as at and for the year ended 31 March 2010. Through the expression of this opinion, the opinion previously expressed on 7 May 2010 is withdrawn. Our opinion is not qualified in respect of this matter.

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

31 January 2011
Kingston, Jamaica

Pegasus Hotels of Jamaica Limited

Statement of Comprehensive Income

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Restated 2010 $'000	Restated 2009 $'000
Revenue		965,977	1,002,775
Direct expenses		(337,938)	(345,659)
Gross Profit		628,039	657,116
Administration expenses		(302,707)	(274,540)
Other operating expenses		(323,979)	(331,215)
Other operating income	6	10,943	3,156
Operating Profit		12,296	54,517
Finance income	9	14,154	20,207
Interest expense		(16,679)	(12,054)
Profit before Taxation		9,771	62,670
Taxation	10	(1,495)	(19,207)
Net Profit		8,276	43,463
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		476,613	544,333
Earnings Per Stock Unit	11	$0.07	$0.36

Pegasus Hotels of Jamaica Limited

Statement of Financial Position

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Restated 2010 $'000	Restated 2009 $'000	Restated 2008 $'000
Non-Current Assets				
Fixed assets	13	5,779,819	5,001,996	4,314,431
Investment securities	14	90,607	62,353	-
Current Assets				
Inventories	15	46,699	33,417	30,874
Trade and other receivables	16	118,730	115,752	98,908
Cash and short term investments	17	21,243	45,345	112,622
		186,672	194,514	242,404
Current Liabilities				
Trade and other payables	19	198,107	149,460	111,094
Bank overdraft	17/18	8,747	58	2,269
Taxation payable		31,087	20,717	15,664
Current portion of long term liabilities	18	60,427	42,857	31,920
		298,368	213,092	160,947
Net Current (Liabilities)/Assets		(111,696)	(18,578)	81,457
		5,758,730	5,045,771	4,395,888
Stockholders' Equity				
Share capital	20	120,166	120,166	120,166
Capital reserve	21	4,176,351	3,705,280	3,206,394
Fair value reserve		(750)	1,984	-
(Accumulated deficit)/Retained earnings		(30,302)	3,481	8,084
		4,265,465	3,830,911	3,334,644
Non-Current Liabilities				
Long term liabilities	18	87,871	49,282	45,056
Deferred tax liabilities	22	1,405,394	1,165,578	1,016,188
		5,758,730	5,045,771	4,395,888

Approved for issue on behalf of Board of Directors on 31 January 2011 and signed on its behalf by:

Rev. Denzil Barnes — Director

Christopher Bovell — 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	(Accumulated Deficit)/ Retained Earnings	Total
	'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2008, as restated (Note 26)	120,166	120,166	3,206,394	-	8,084	3,334,644
Net Profit, as restated (Note 26)	-	-	-	-	43,463	43,463
Other comprehensive income - Fair value adjustments, net of taxes:						
Land and buildings (Note 22)	-	-	498,886	-	-	498,886
Financial assets (Note 22)	-	-	-	1,984	-	1,984
Total comprehensive income	-	-	498,886	1,984	43,463	544,333
Transactions with owners -						
Dividends paid (Note 12)	-	-	-	-	(48,066)	(48,066)
Balance at 31 March 2009, as restated (Note 26)	120,166	120,166	3,705,280	1,984	3,481	3,830,911
Net Profit, as restated (Note 26)	-	-	-	-	8,276	8,276
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)	8,276	476,613
Transactions with owners -						
Dividends paid (Note 12)	-	-	-	-	(42,059)	(42,059)
Balance at 31 March 2010, as restated (Note 26)	120,166	120,166	4,176,351	(750)	(30,302)	4,265,465

Stockholders' Equity per Stock Unit

2009, as restated	$31.88
2010, as restated	$35.50

Pegasus Hotels of Jamaica Limited

Statement of Cash Flows

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Restated 2010 $'000	Restated 2009 $'000
Cash Flows from Operating Activities		
Net profit	8,276	43,463
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	1,495	19,207
	123,823	144,994
Changes in operating assets and liabilities:		
Increase in inventories	(13,282)	(2,543)
Increase in receivables	(2,978)	(21,053)
Increase in payables	48,647	38,366
	156,210	159,764
Taxation paid	(17,969)	(23,984)
Net cash provided by operating activities	138,241	135,780
Cash Flows from Financing Activities		
Dividends paid	(42,059)	(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	(2,579)	(44,957)
Cash Flows from Investing Activities		
Interest received	12,297	9,661
Investments acquired	(115,046)	(60,369)
Proceeds from investment disposal	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 prior period earnings or equity. 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 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 liabilities and is available for early adoption immediately. For financial assets and liabilities, 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.

- **IAS 24, Related party disclosures (revised 2009)** (effective for annual periods beginning on or after 1 January 2011). IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. Management is currently considering the implications of the standard and the impact on 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.

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Fixed assets and depreciation

Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation and impairment 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 profit or loss and other changes in the carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognised in other comprehensive income.

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 profit or loss. 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 fair value less costs to sell 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 initially recorded at fair value and thereafter measured at amortised cost.

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

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

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

Pegasus Hotels of Jamaica Limited

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 to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case deferred tax is also dealt with in other comprehensive income.

(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 profit or loss 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 and other receivables that are past due and impaired

At year end, trade and other receivables of $30,834,000 (2009 - $23,094,000) were impaired and fully provided for. Of the balance, individually impaired trade receivables of $1,104,000 (2009 - $583,000) mainly relate to customers who are in unexpected difficult economic situations. The ageing of these receivables is over 6 months. The provision for impairment of other receivables relates mainly to balances due from employees.

Pegasus Hotels of Jamaica Limited

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement on the provision for impairment of trade and other receivables

	2010 $'000	2009 $'000
At 1 April	23,094	14,972
Receivables recovered during the year	-	(1,453)
Receivables provided for during the year	7,740	9,575
	30,8341,10	
At 31 March	4	23,094

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

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	2010				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
Long term liabilities	6,566	13,021	55,837	93,437	168,861
Trade payables	-	70,706	-	-	70,706
Other payables	-	6,392	-	-	6,392
Bank overdraft	8,747	-	-	-	8,747
Total financial liabilities	15,313	90,119	55,837	93,437	254,706

	2009				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
Long term liabilities	4,588	9,060	35,110	59,933	108,691
Trade payables	-	61,469	-	-	61,469
Other payables	-	12,997	-	-	12,997
Bank overdraft	58	-	-	-	58
Total financial liabilities	4,646	83,526	35,110	59,933	183,215

(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.

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	6,392	-	6,392
Bank overdraft	8,747	-	8,747
Total financial liabilities	234,143	-	234,143
Net financial position	(127,608)	86,736	(40,872)
		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	12,997	-	12,997
Bank overdraft	58	-	58
Total financial liabilities	166,663	-	166,663
Net financial position	(71,854)	90,580	18,726

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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 of the Jamaican Dollar (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 tested 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)

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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	-	-	-	-	6,392	6,392
Bank overdraft	8,747	-	-	-	-	8,747
Total financial liabilities	13,783	10,071	45,320	87,871	77,098	234,143
Total interest repricing gap	7,460	(9,071)	(44,320)	(442)	5,501	(40,872)
			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	-	-	-	-	12,997	12,997
Bank overdraft	58	-	-	-	-	58
Total financial liabilities	3,687	7,142	32,086	49,282	74,466	166,663
Total interest repricing gap	41,658	(4,574)	(32,086)	10,503	3,225	18,726

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	4,265,465	3,830,911
Total capital	4,413,763	3,923,050
Gearing ratio	3.36%	2.35%

(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.

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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.

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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.

	Restated 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, net of other income					615,743
Operating profit					12,296

	Restated 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	101,360	(383)	32,549	657,116
Unallocated costs, net of other income					602,599
Operating profit					54,517

Due to the integrated nature of operations, management does not review, and is unable to provide segment information for assets, liabilities, capital expenditure and depreciation. Unallocated costs comprise all administrative and other operating expenses. Details of other income, also unallocated are provided in Note 6.

6. Other Operating Income

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

7. Expenses by Nature

Total direct, administration and other operating expenses:

	Restated 2010 $'000	Restated 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)	247,293	262,903
Utilities	111,678	114,340
Other	92,426	61,479
	964,624	951,414

8. Staff Costs

	Restated 2010 $'000	Restated 2009 $'000
Wages and salaries	180,112	204,392
Statutory contributions	18,888	18,834
Pension contribution	6,438	7,183
Other	41,855	32,494
	247,293	262,903

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

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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%:

	Restated 2010 $'000	Restated 2009 $'000
Current taxation	27,816	29,038
Adjustment to prior year provision	523	-
	28,339	29,038
Deferred taxation (Note 22)	(26,844)	(9,831)
	1,495	19,207

(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:

	Restated 2010 $'000	Restated 2009 $'000
Profit before taxation	9,771	62,670
Tax calculated at a tax rate of 33⅓%	3,257	20,890
Adjusted for the effect of:		
Adjustment to prior year provision	523	-
Relieved under Approved Hotel Extension Order	(789)	-
Other charges and allowances	(1,496)	(1,683)
	1,495	19,207

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.

	Restated 2010	Restated 2009
Net profit attributable to stockholders, as restated ($'000)	8,276	43,463
Number of ordinary stock units ('000)	120,166	120,166
Earnings per stock unit, as restated ($)	0.07	0.36

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	30,042	-
20 cents per stock unit – 9 July 2008	-	24,033
20 cents per stock unit – 5 December 2008	-	24,033
	42,059	48,066

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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

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	3,223	-	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

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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	32,987	25,113
Less: Provision for impairment	(29,730)	(22,511)
	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

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

	Restated 2010 $'000	Restated 2009 $'000	Restated 2008 $'000
Trade payables	70,706	61,469	45,138
Accruals	59,079	21,031	11,102
Staff related statutory costs	61,930	53,963	36,981
Other	6,392	12,997	17,873
	198,107	149,460	111,094

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:

	Restated 2010 $'000	Restated 2009 $'000	Restated 2008 $'000
Balance at start of year	1,165,578	1,016,188	865,923
Credited to profit or loss (Note 10)	(26,844)	(9,831)	(1,963)
Charged to other comprehensive income	266,660	159,221	152,228
Balance at end of year	1,405,394	1,165,578	1,016,188

22. Deferred Income Taxes (Continued)

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	Revaluation of buildings	Interest receivable	Total
	$'000	$'000	$'000	$'000
At 1 April 2007	-	931,936	1,066	933,002
Credited to profit or loss	-	-	(654)	(654)
Charged to other comprehensive income	-	152,228	-	152,228
At 1 April 2008	-	1,084,164	412	1,084,576
Charged to profit or loss	3,299	-	444	3,743
Charged to other comprehensive income	-	159,221	-	159,221
At 1 April 2009	3,299	1,243,385	856	1,247,540
Credited to profit or loss	(3,072)	-	(463)	(3,535)
Charged to other comprehensive income	-	267,035	-	267,035
At 31 March 2010	227	1,510,420	393	1,511,040

Deferred tax assets

	Accounts Payable	Fair value losses	Excess of depreciation over capital allowances	Total
	$'000	$'000	$'000	$'000
At 1 April 2007	4,052	-	63,027	67,079
Credited/(charged) to profit or loss	4,312	-	(3,003)	1,309
At 1 April 2008	8,364	-	60,024	68,388
Credited to profit or loss	5,890	-	7,684	13,574
At 1 April 2009	14,254	-	67,708	81,962
Credited to profit or loss	4,440	-	18,869	23,309
Credited to other comprehensive income	-	375	-	375
At 31 March 2010	18,694	375	86,577	105,646

Deferred tax liabilities/assets to be recovered after more than 10 years are $1,510,420 and $105,646 respectively.

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22. Deferred Income Taxes (Continued)

Reconciliation of other comprehensive income

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

	2010			2009		
	Before tax $'000	Tax (credit)/ expense $'000	After tax $'000	Before tax $'000	Tax (credit)/ expense $'000	After tax $'000
Surplus on revaluation of land and 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

23. Related Party Transactions

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

Key management compensation was as follows:

	2010 $'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

24. Retirement Benefit Plans

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

Retirement benefits are calculated on amounts accrued to each employee's account, which is based on their share of the terminated defined benefit plan, their and the company's contributions, and earnings of the current plan. Employees contribute to the plan at a mandatory rate of 5%, and may make voluntary contributions not exceeding 5%.

The company 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.

25. Litigation, Claims and Assessments

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

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

Pegasus Hotels of Jamaica Limited

26. Restatement and Re-issue of Previously Issued Financial Statements

Subsequent to the release of the previously issued financial statements as at, and for the year ended 31 March 2010, the hotel finalised 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. The assessment covered the financial years 2005 to 2010. Management is of the view that for each year of the assessment, the amounts for which assessments were raised were receivable from the employees and recorded a receivable in that regard. Management is also of the view that for each such period in which the receivable was recorded, certain balances would have become impaired, for which impairment provisions were recorded. The gross amount of the impairment charges has been booked as part of the Hotel's administrative expenses for the relevant periods, with the tax effect recorded in deferred taxes. The liabilities due have been recorded in taxation payable. The financial effects of the restatement are as follows:

(a) Reconciliation of stockholders' equity at 31 March 2010.

	2010		
	Previously Issued	Effects of Change	As Restated
	$'000	$'000	$'000
Non-current assets	5,870,426	-	5,870,426
Current assets	186,672	-	186,672
Current liabilties			
Trade and other payables	142,023	56,084	198,107
Bank overdraft	8,747	-	8,747
Taxable payable	31,087	-	31,087
Current portion of long term liabilities	60,427	-	60,427
	242,284	56,084	298,368
Net Current Liabilities	(55,612)	(56,084)	(111,696)
	5,814,814	(56,084)	5,758,730
Stockholders' Equity			
Share capital	120,166	-	120,166
Capital reserve	4,176,351	-	4,176,351
Fair value reserve	(750)	-	(750)
Retained earnings/(Accumulated deficit)	7,088	(37,390)	(30,302)
	4,302,855	(37,390)	4,265,465
Non-Current Liabilities			
Long term liabilities	87,871	-	87,871
Deferred tax liabilities	1,424,088	(18,694)	1,405,394
	1,511,959	(18,694)	1,493,265
	5,814,814	(56,084)	5,758,730

Pegasus Hotels of Jamaica Limited

Notes to the Financial Statements
31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

26. Restatement and Re-issue of Previously Issued Financial Statements (Continued)

(b) Reconciliation of stockholders' equity at 31 March 2009

	2009		
	Previously Issued	**Effects of Change**	**As Restated**
	$'000	**$'000**	**$'000**
Non-current assets	5,064,349	-	5,064,349
Current assets	194,514	-	194,514
Current Liabilities			
Trade and other payables	106,700	42,760	149,460
Bank overdraft	58	-	58
Taxable payable	20,717	-	20,717
Current portion of long term liabilities	42,857	-	42,857
	170,332	42,760	213,092
Net Current Assets	24,182	(42,760)	(18,578)
	5,088,531	(42,760)	5,045,771
Stockholders' Equity			
Share capital	120,166	-	120,166
Capital reserve	3,705,280	-	3,705,280
Fair value reserve	1,984	-	1,984
Retained earnings	31,987	(28,506)	3,481
	3,859,417	(28,506)	3,830,911
Non-Current Liabilities			
Long term liabilities	49,282	-	49,282
Deferred tax liabilities	1,179,832	(14,254)	1,165,578
	1,229,114	(14,254)	1,214,860
	5,088,531	(42,760)	5,045,771

26. Restatement and Re-issue of Previously Issued Financial Statements (Continued)

(c) Reconciliation of stockholders' equity at 31 March 2008

	2008		
	Previously Issued	Effects of Change	As Restated
	$'000	$'000	$'000
Non-current assets	4,314,431	-	4,314,431
Current assets	242,404	-	242,404
Current Liabilities			
Trade and other payables	86,004	25,090	111,094
Bank overdraft	2,269	-	2,269
Taxable payable	15,664	-	15,664
Current portion of long term liabilities	31,920	-	31,920
	135,857	25,090	160,947
Net Current Assets	106,547	(25,090)	81,457
	4,420,978	(25,090)	4,395,888
Stockholders' Equity			
Share capital	120,166	-	120,166
Capital reserve	3,206,394	-	3,206,394
Retained earnings	24,810	(16,726)	8,084
	3,351,370	(16,726)	3,334,644
Non-Current Liabilities			
Long term liabilities	45,056	-	45,056
Deferred tax liabilities	1,024,552	(8,364)	1,016,188
	1,069,608	(8,364)	1,061,244
	4,420,978	(25,090)	4,395,888

Pegasus Hotels of Jamaica Limited

26. Restatement and Re-issue of Previously Issued Financial Statements (Continued)

(d) Reconciliation of net profit for the year ended 31 March 2010

		2010		
		Previously Issued	**Effects of Change**	**As Restated**
	Note	**$'000**	**$'000**	**$'000**
Revenue		965,977	-	965,977
Direct expenses		(337,938)	-	(337,938)
Gross Profit		628,039	-	628,039
Administration expenses		(289,384)	(13,323)	(302,707)
Other operating expenses		(323,979)	-	(323,979)
Other operating income		10,943	-	10,943
Operating Profit		25,619	(13,323)	12,296
Finance income		14,154	-	14,154
Interest expenses		(16,679)	-	(16,679)
Profit Before Taxation		23,094	(13,323)	9,771
Taxation		(5,935)	4,440	(1,495)
Net Profit		17,159	(8,883)	8,276
Other Comprehensive Income:				
Fair value adjustments to land and buildings, net of taxes		471,071	-	471,071
Fair value adjustments to available-for-sale financial assets, net of taxes		(2,734)	-	(2,734)
Other Comprehensive Income, net of taxes		468,337	-	468,337
Total Comprehensive Income		485,496	(8,883)	476,613
Earnings Per Stock Unit		$0.14	($0.07)	$0.07

26. Restatement and Re-issue of Previously Issued Financial Statements (Continued)

(e) Reconciliation of net profit for the year ended 31 March 2009

	Note	2009 Previously Issued $'000	2009 Effects of Change $'000	2009 Amended $'000
Revenue		1,002,775	-	1,002,775
Direct expenses		(345,659)	-	(345,659)
Gross Profit		657,116	-	657,116
Administration expenses		(256,870)	(17,670)	(274,540)
Other operating expenses		(331,215)	-	(331,215)
Other operating income		3,156	-	3,156
Operating Profit		72,187	(17,670)	54,517
Finance income		20,207	-	20,207
Interest expenses		(12,054)	-	(12,054)
Profit Before Taxation		80,340	(17,670)	62,670
Taxation		(25,097)	5,890	(19,207)
Net Profit		55,243	(11,780)	43,463
Other Comprehensive Income:				
Fair value adjustments to land and buildings, net of taxes		498,886	-	498,886
Fair value adjustments to available-for-sale financial assets, net of taxes		1,984	-	1,984
Other Comprehensive Income, net of taxes		500,870	-	500,870
Total Comprehensive Income		556,113	(11,780)	544,333
Earnings Per Stock Unit		$0.46	($0.10)	$0.36

27. Subsequent Events

Subsequent to the end of the financial year, National Hotels and Properties Limited disposed of its 59.8% shareholding in the hotel to Quivin Holdings Limited, a company incorporated and registered in St. Lucia. Consistent with the rules of the Jamaica Stock Exchange, consequent on acquiring majority share ownership of the hotel, Quivin Holdings is obliged to make and is in the process of making an offer to the minority shareholders, for the remaining issued shares. At the date of these financial statements, the offer had not yet opened.