CONTENTS

DIRECTORS

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

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

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

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

Alston Douglas, Engineer

Mr. Douglas is an Engineer and a businessman who also serves on the Board of Aeronautical Telecommunications Limited, Spectrum Management Authority, and the National Solid Waste Management Authority.

Kevin Hendrickson, BBA

Mr. Hendrickson is the Owner and Managing Director of The Holiday Inn Sunspree Resort, The Knutsford Court Hotel, The Courtleigh Hotel & Suites and Yummy Bakery.

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

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

DIRECTORS

Nicola Madden-Greig, EMBA, B.Sc.

Mrs. Nicola Madden-Greig is the Group Director of Marketing & Sales at The Courtleigh Hotel & Suites/The Knutsford Court Hotel, Kingston and The Holiday Inn Sunspree Resort, Montego Bay. She holds an Executive Masters in Business Administration from the Mona School of Business and a Bachelors Degree in Hospitality Management from the Florida International University, Miami, Florida. She is the Second Vice President of the Jamaica Hotel and Tourist Association and Chairperson of its Kingston Chapter. She is also a Member of the Joint JHTA/JTB Marketing Sub-committee, a Board Member of the Tourism Product Development Company and Chairperson of the Tourism Product Development Company Finance Sub-committee.

Nejma Jackie-Douglas, FCCA

Mrs. Jackie-Douglas is currently the Group Financial Controller of The Courtleigh Hotel & Suites, Knutsford Court Hotel and The Holiday Inn Sunspree Resort. She is a Fellow of the Association of Certified Chartered Accountants and a member of the Association of Accounting Technicians.

Matthew Lyn, BBA

Mr. Lyn is the Divisional Manager of Pork at Caribbean Boilers (Jamaica) Limited. He is a member of the Board of Continental Baking Company Limited and also serves on the Youth Committee of the Jamaica Chamber of Commerce.

DIRECTORS

Milton Samuda, LL.B. (Hons)

Mr. Samuda is the Managing Partner of Samuda & Johnson, Attorneys-At-Law, and heads the firm's Commercial Department. He is the President of the Jamaica Chamber of Commerce and a Director of the RJR Communications Group. Mr. Samuda also serves as Chairman of Television Jamaica Limited (TVJ), Sabina Park Holdings, the Institute of Law and Economics and Wolmer's Trust. He is a Director on the Board of Berger Paints Jamaica Limited, National Outdoor Advertising Limited, Strategic Corporate Interventions Limited, the Advisory Board of the Spanish Jamaican Foundation, the Jamaica Tourist Board, the Advisory Board of the Jamaica Intellectual Property Office, the National Education Trust of the Ministry of Education, the Advisory Board of the School of Business Administration – University of Technology, OMS Associates Limited and other private companies and agencies.

Eric George Stultz

Mr. Stultz is the General Manager of Baking Enterprises (1988) Limited.

DIRECTORS

ATTORNEYS

DunnCox
48 Duke Street
Kingston
Jamaica, W.I.

Hylton & Hylton
31 Upper Waterloo Road
Kingston 10
Jamaica. W. I.

COMPANY SECRETARY

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

REGISTRAR FOR THE COMPANY

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

AUDITORS

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

BANKERS

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

EXECUTIVE MANAGEMENT

Eldon Bremner, M.Sc.	-	General Manager
Nancy McLean, M.Sc.	-	Hotel Manager
Headly O'Connor, BBA, MBA	-	Financial Controller
Dean Elliott, H.N.D. (Mech. Eng.)	-	Director of Engineering
Prudence Simpson, BBA, EMBA	-	Director of Sales & Marketing
Fern Lewis-Hue, BBA	-	Human Resources & Training Manager
Charmaine Blackwood, M.Sc.	-	Front Office Manager
Loraine Tait, B.Sc., M.Sc.	-	Reservations & Information Technology Manager
Latoya Wright-Gabbidon, B.S., A.S.	-	Executive Housekeeper
Gene Dawkins	-	Internal Auditor

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors is committed to world best corporate governance practices and principles as a normal part of doing business. Good corporate governance serves the best interest of all stakeholders including shareholders, investors and users of the Hotel's services and facilities and positions the Board to making informed decisions to manage risks; comply with applicable laws and regulatory requirements and enhance shareholders' value.

The corporate governance system embraced by the Board of Directors offers the company better access to external finance as it promotes a higher degree of confidence in investors thus potentially lowering the cost of capital; adds value to the company through more efficient management and improved productivity; better risk management systems that will not only avert corporate risks but is better able to cope with corporate crisis. These foregoing factors enhance company value and share performance.

THE BOARD

Composition

The Board of Directors presently comprises ten (10) directors all of whom are non-executive directors. Six (6) directors are nominated by the majority shareholder, Quivin Holdings Limited, two (2) elected by the shareholders of the company other than the majority shareholder, and, two (2) are co-opted annually by the nominated and elected Directors. All the members of the Board have an impressive record of experience, training and skills in their respective field of expertise which include accounts, law, hotel entrepreneurship and engineering and they exercise careful evaluation in giving direction and management to the company. The Chairman of the Board, Mr. Milton Samuda, was appointed on November 29, 2010 from the pool of nominated directors.

At each annual general meeting all elected directors retire from office but are eligible for re-election. Notice of a nomination of a person (other than a director retiring at the general meeting) for election to the Board, must have served on the Board at least seven (7) but not more than fourteen (14) days before the general meeting. The Pegasus has no maximum age limit for members of the Board.

Director Education

New directors are provided with an induction package which contains information on the company, their duties and responsibilities. They are afforded the support and expertise of all Board members and the Company Secretary to gain the required knowledge to effectively serve the company in the shortest possible time frame after their appointment or election.

Duties and Responsibilities

Duties and responsibilities of the Board include the following:-

- To oversee and approve the strategic direction of the company
- To approve annual operational plans and budgets
- The establishment and oversight of the company's risk management framework by providing written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity
- To oversee the integrity of the company's internal controls
- To monitor and review the company's financial performance and reporting
- To ensure compliance with applicable rules and requirements as a public company listed on the Jamaica Stock Exchange and with the regulations of the Financial Services Commission being an issuer of securities to the public

The Chairman is principally responsible for the effective operation and chairing of the Board and for ensuring that information that it receives is sufficient to make informed decisions.

Because in-depth knowledge of the particulars of the company's business is vital for each Director in making informed and objective decisions, management is to allow direct involvement and review of operational activities. The Directors have complete access to the leadership of the company. Each Board member is expected to commit sufficient time for preparing and attending meetings of the Board and its Committee.

The Board has put in place Directors' and Officers' Liability Insurance in respect of legal actions against its Directors and Officers.

The Company Secretary

The directors of a public company have a statutory duty under the Companies Act, 2004 to take all reasonable steps to ensure that the secretary of the company has the requisite knowledge and experience to discharge the functions of a secretary. This duty is underpinned by the principles of good governance that sees the Company Secretary as playing a significant role in the operation and functioning of both the Board and the company. That is, the Company Secretary is responsible for ensuring that the Board processes and procedures are appropriately followed; that the company is in compliance with filing requirements under relevant statutes, rules and regulations and support effective decision-making and governance.

The Company Secretary is also responsible for ensuring that new Directors receive appropriate induction into the company and receive all relevant information. All Directors have access to the Company Secretary's advice and services and there is also a formal procedure for Directors to collectively obtain independent professional advice in the course of their duties, if necessary, at the company's expense. The Company Secretary is appointed by, and can only be removed by the Board.

Audit Committee

The company has an Audit Committee comprising three (3) directors comprising Reverend Denzil Barnes – Chairman, Matthew Lyn and Eric Stultz, all of whom are considered by the Board to be independent directors and possess relevant accounting experience.

The Audit Committee assists in managing and monitoring risks and 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.

Remuneration of Directors

The articles provide that the remuneration of Directors is fixed by the company in general meeting. No remuneration policy has yet been approved by members in general meeting. In keeping with the articles which provide that Directors may be paid for traveling, hotel and other expenses incurred in attending directors and general meetings, the Board has authorized the opening of an expense account with the Hotel for each Director with a limit of J$100,000.00 per annum. Amounts incurred in excess of the limit are discounted by fifty per centum and are for the account of the individual director

Disclosure

In keeping with the best standard corporate governance principles and practice, the Company is committed to providing timely, accurate and balanced disclosure of financial results, significant developments and other material information about the company to shareholders and its respective regulators. Further, any dealings in the company's shares by any Director must be promptly reported to the Company Secretary who is obliged to disclose such information on a regular basis to the Jamaica Stock Exchange.

A Director who has an interest in the company or in any transactions with the company which could create or appear to create a conflict of interest must disclose such interest to the company. These would include:-

- Any interest in contracts or proposed contracts with the company
- General disclosure of interest in a firm, which does business with the company

DISCLOSURE OF SHAREHOLDINGS

DIRECTORS	STOCK UNITS	
	31-MARCH-2011	30-JUNE-2011
John J. Issa	9,175,530	9,175,530
Eric Stultz	15,500	15,500
Kevin Hendrickson	10,000	10,000
Christopher Bovell	2,517	2,517
EXECUTIVE MANAGEMENT	**STOCK UNITS**	
Eldon Bremner	Nil	Nil
· Heathcliffe Bremner	15,750	15,750
· Teisha Bremner	15,750	15,750
· Janira Bremner	7,875	7,875
Charmaine Blackwood	14,571	14,571
TEN (10) MAJOR STOCKHOLDERS	**STOCK UNITS**	
Quivin Holdings Limited	71,865,384	75,313,468
Middle East Ventures Limited	19,840,103	19,840,103
John J. Issa	9,175,530	9,175,530
Harry Maragh	2,987,699	2,987,699
Capital Finance Limited	2,140,385	2,140,385
Pelican Securities Limited	1,168,945	1,168,945
G. Raymond Chang Limited	896,877	896,877
Karl P. Wright	716,810	716,810
Harriat Maragh	713,516	713,516
Trading A/C – Sagicor Life Jamaica Ltd.	-	562,098

NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Forty-Third Annual General Meeting** of **Pegasus Hotels of Jamaica Limited** will be held at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, Jamaica, W. I., on Monday, 26th September, 2011 at 3 o'clock in the afternoon when the following will be transacted:

1. Audited Accounts for the Year Ended March 31, 2011

To receive and adopt the accounts for the year ended March 31, 2011, together with the Reports of the Directors and Auditors thereon. To consider and, (if thought fit) to pass the following resolutions:

(i) 'THAT the Audited Statements for the period ended March 31, 2011 and the Report of the Directors thereon be and are hereby taken as read.'

(ii) 'THAT the Reports of the Directors and Auditors and the Audited Financial Statements for the year ended March 31, 2011 now submitted to the meeting be and are hereby adopted.'

2. Election of Directors

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

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

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

(ii) 'THAT Mr. Christopher Bovell be and is hereby re-elected a Director of the Company for the ensuing year.'

NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING

3. Remuneration of Auditors

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

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

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

DATED THIS 5TH DAY OF SEPTEMBER, 2011

....

MARLENE MCLEAN
COMPANY SECRETARY

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present my first report to you as Chairman of Pegasus Hotels of Jamaica Limited. As you know, the Company had a change in majority ownership a few months before the end of the year under review and I along with several new directors was appointed on November 29, 2010 to replace directors who had been appointed by the previous majority shareholder.

This year has been a challenging one for your Company and you are no doubt concerned about the continued declines in revenue. Even as we continue to face the challenges of the global recession you may rest assured that your board is working assiduously to restore shareholder value.

Financial Results

As you will see from the audited Financial Statements, we suffered a net loss for the year under review (April 1, 2010 to March 31, 2011) of ($42.0M) compared to $8.3M net profit (restated) for the previous year. In an effort to increase occupancy and maintain present customer base, we revised our rate strategies to compete aggressively with the competition. Whereas restaurants showed an increase in revenue, banqueting revenue declined for the period. The cost control initiatives, including energy conservation helped to contain the losses.

Possible Lease of Hotel

The possibility of leasing the Hotel and assuming the role of a real estate company has also been considered and on March 28, 2011, the Board of Directors unanimously resolved to enter into a lease of the Hotel to Surrey Hotel Management Limited (a company owned by the majority shareholder) on terms to be negotiated by the parties. A copy of the resolution passed by the Board was sent to the Jamaica Stock Exchange.

The Board has been attempting to secure the best terms for the Company and submitted a counter offer to the proposed Lessee. As at the time of writing negotiations were ongoing.

Refurbishing and Upgrading Projects

The planned comprehensive refurbishment of the three (3) luxury suites of the Hotel was not done this year. However, the suites were enhanced with soft furnishings and other necessary replacements. This will remain until we embark on the full refurbishing programme for the suites.

CHAIRMAN'S STATEMENT

Financing

The company acquired no new loans during the period under review, and repaid $57M of the present loan leaving a balance of $91.3M. Net current liabilities decreased from ($111.7M) (restated) in 2009/2010 to ($35.5M) in 2010/2011. The long term Government of Jamaica Index Bonds amounting to $13.1M is classified as non-current assets. Shareholders' equity improved marginally from $4.3B to $4.4B.

Taxation

Your Hotel was granted incentives for ten (10) years under The Approved Extension (Jamaica Pegasus Hotel) Order, 2009 effective March 31, 2009. The benefits are: waiver of General Consumption Tax (GCT) and Custom Duties for ten (10) years on a schedule list of items, and corporate tax relief for ten (10) years arising from profits earned from the hotel's extensions which are the subject of the Order. It was finally confirmed that the apportionment method be used and accordingly, for the financial year ended 31 March 2011, the Hotel received a 20.24% relief.

Dividends

During the year, no dividends were paid to shareholders, and your Directors are not recommending a payment at this time.

Changes in Majority Shareholding

On November 29, 2010, Quivin Holdings Limited acquired the majority shares in the company (59.81%) from the Government of Jamaica (held by National Hotels & Properties Limited, a wholly owned subsidiary of the Urban Development Corporation (UDC)).

On December 28, 2010, Quivin Holdings Limited made an offer to purchase the additional 48,300,589 shares in Pegasus Hotels of Jamaica Limited (PHJL) at a price of J$13.14 per share. The offer opened on January 19, 2011 and closed on April 28, 2011. At the close of the offer on April 28, 2011, the total amount of shares owned by Quivin Holdings Limited in PHJL was 62.7%.

Changes in Board Composition

Consequent on the change in majority shareholding, there have also been a number of changes in the composition of the Board since the last Annual General Meeting. Former directors Joy Douglas, Daniella Gentles, Dahlia Kelly, Robert Russell, Michael Subratie and Desmond Young demitted office and in their place the Board now benefits from the services of Mrs. Nejma Jackie-Douglas, Mrs. Nicola Madden-Greig, Mr. Kevin Hendrickson, Mr. Eric Stultz, Mr. Matthew Lyn.

Future

Your Board is aware that the years ahead will be challenging. We anticipate increased competition amidst the continuing challenge of an extended recession period. We will therefore encourage innovation and energy as we continue to upgrade both plant and equipment and to aggressively market the services of the Hotel at home and overseas.

We look to the future with confidence and will work hard to retain the support of our many loyal patrons and to recruit new patrons and supporters. We thank our patrons and business partners for their continued patronage. We are grateful to our hardworking Management and Staff. We continue to rely on the oversight and confidence of our shareholders. As a team, we will keep the Pegasus as "Kingston's Preferred Hotel".

....

MILTON J. SAMUDA
CHAIRMAN

15 AUGUST 2011

REPORT OF THE DIRECTORS

The Directors are pleased to submit their **Forty-Third Annual Report**, together with the Audited Accounts of the Company for the year ended 31 March, 2011.

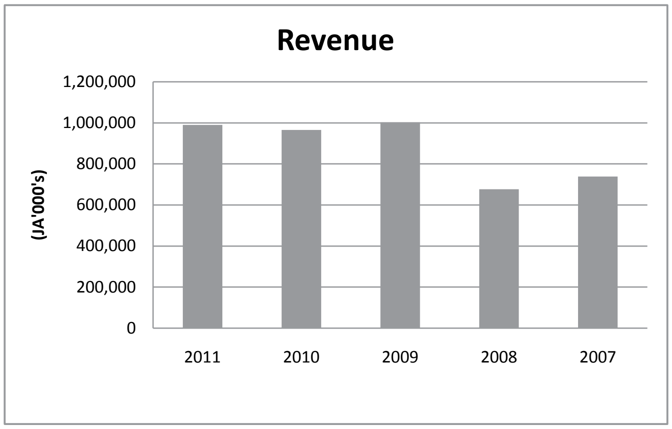
FINANCIAL STATEMENTS

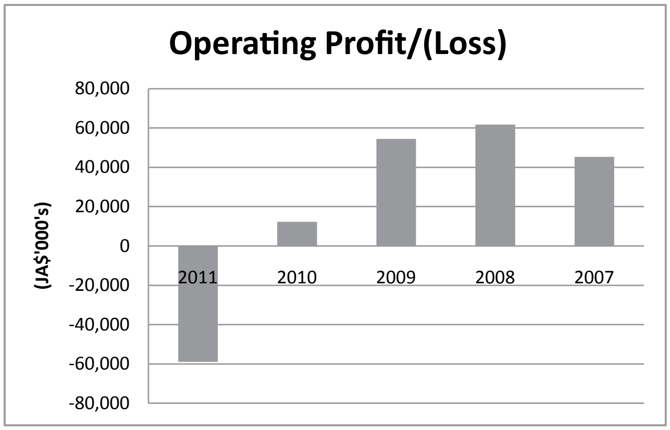
The gross profit for the year under review is $620.774M earned from total sales of $989.879M. After accounting for administrative, other operating expenses & income, finance income & costs and taxation, our net loss is ($42.006M). The balance in the Capital Reserve Account as at 31 March 2011 is $4.376B.

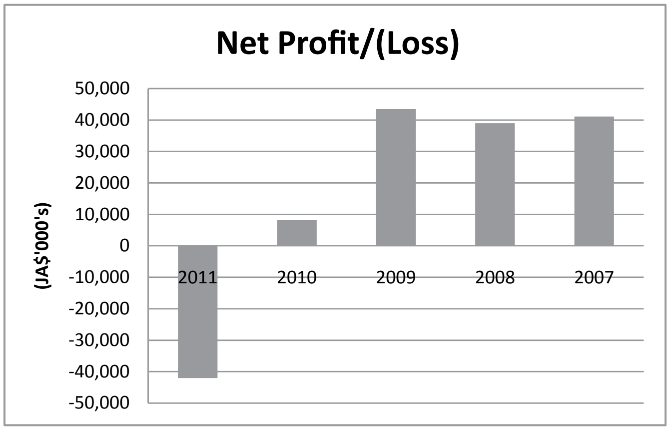
Five Year Historical Review

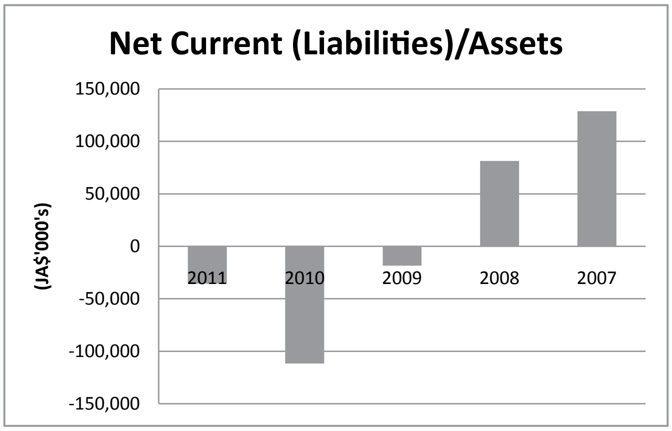
	2011	2010 (Restated)	2009	2008	2007
Revenue	$989.879M	$965.977M	$1.003B	$676.291M	$738.015M
Operating (Loss)/ Profit	($58.993M)	$12.296M	$54.527M	$61.796M	$ 45.342M
Net Profit/(Loss)	($42.006M)	$8.276M	$43.46M	$39.015M	$ 41.080M
Net Current (Liabilities)/Assets	($35.541M)	($111.696M)	($18.58M)	$81.46M	$128.798M
Earnings/(Loss) Per Stock Unit	($0.35)	$0.07	$0.46	$0.32	$0.34
Closing Stock Unit Price	$11.00	$15.00	$15.00	$16.00	$10.50
P/E Ratio	-31.43	214.29	32.60	50.00	30.88
Price to Book Value Ratio	0.30	0.42	0.47	0.57	0.44

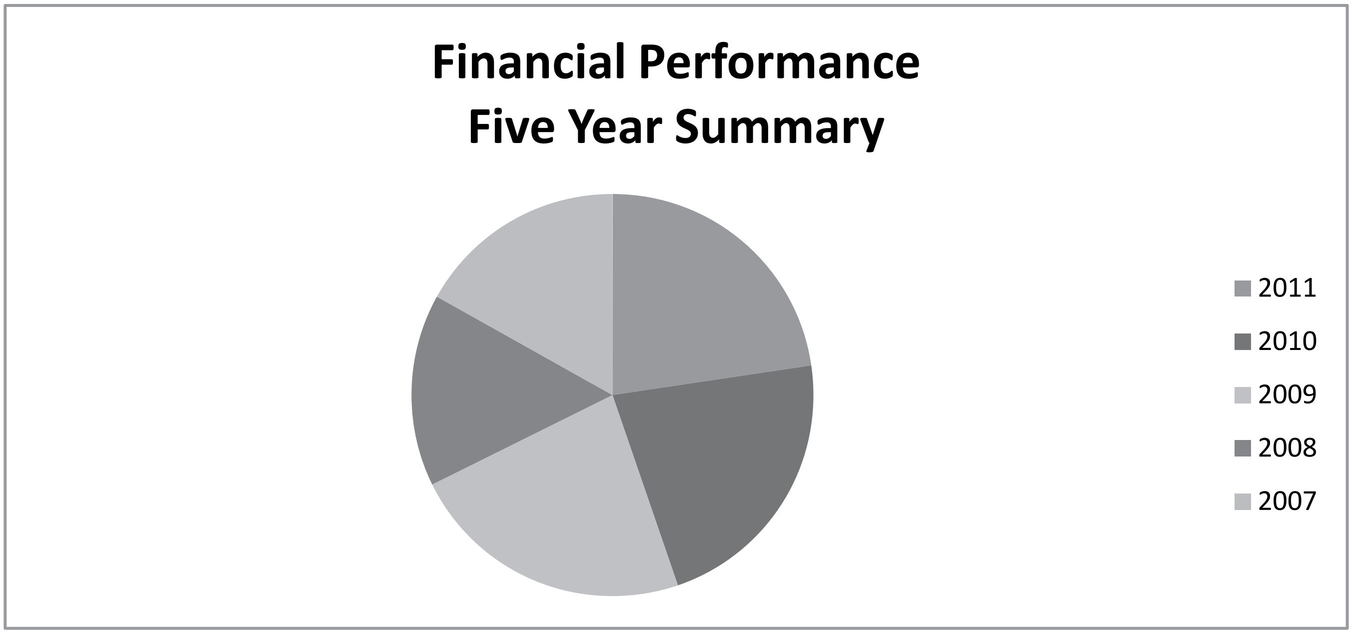
(Shown in Graph Overleaf)

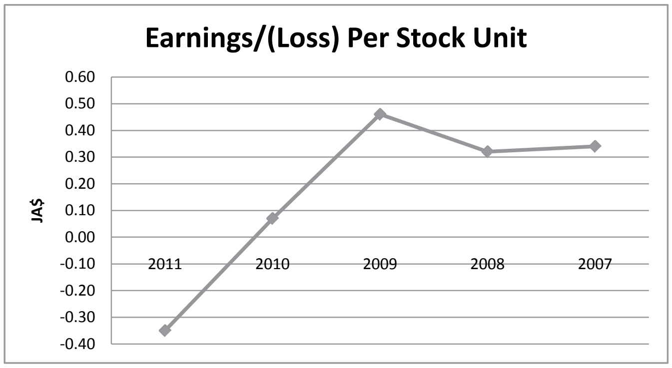

Revenue
(JA'000's)
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
2011
2010
2009
2008
2007

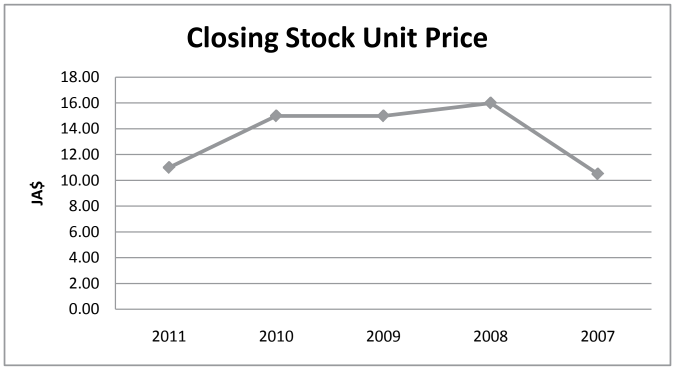

Operating Profit/(Loss)
(JA$'000's)
80,000
60,000
40,000
20,000
0
-20,000
-40,000
-60,000
-80,000
2011
2010
2009
2008
2007

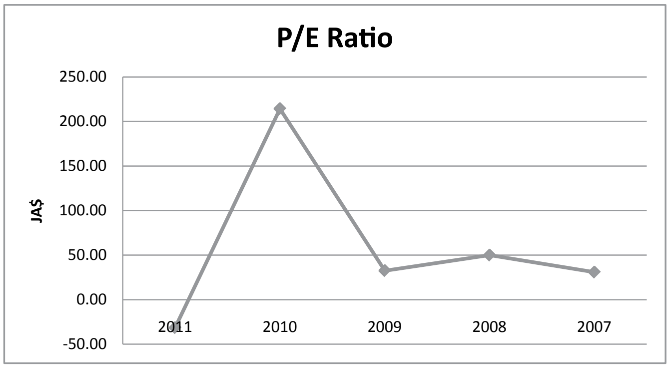

Net Profit/(Loss)
(JA$'000's)
50,000
40,000
30,000
20,000
10,000
0
-10,000
-20,000
-30,000
-40,000
-50,000
2011
2010
2009
2008
2007

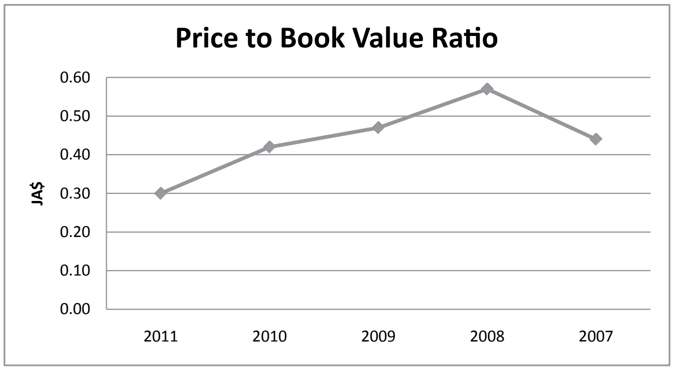

Net Current (Liabilities)/Assets
(JA$'000's)
150,000
100,000
50,000
0
-50,000
-100,000
-150,000
2011
2010
2009
2008
2007

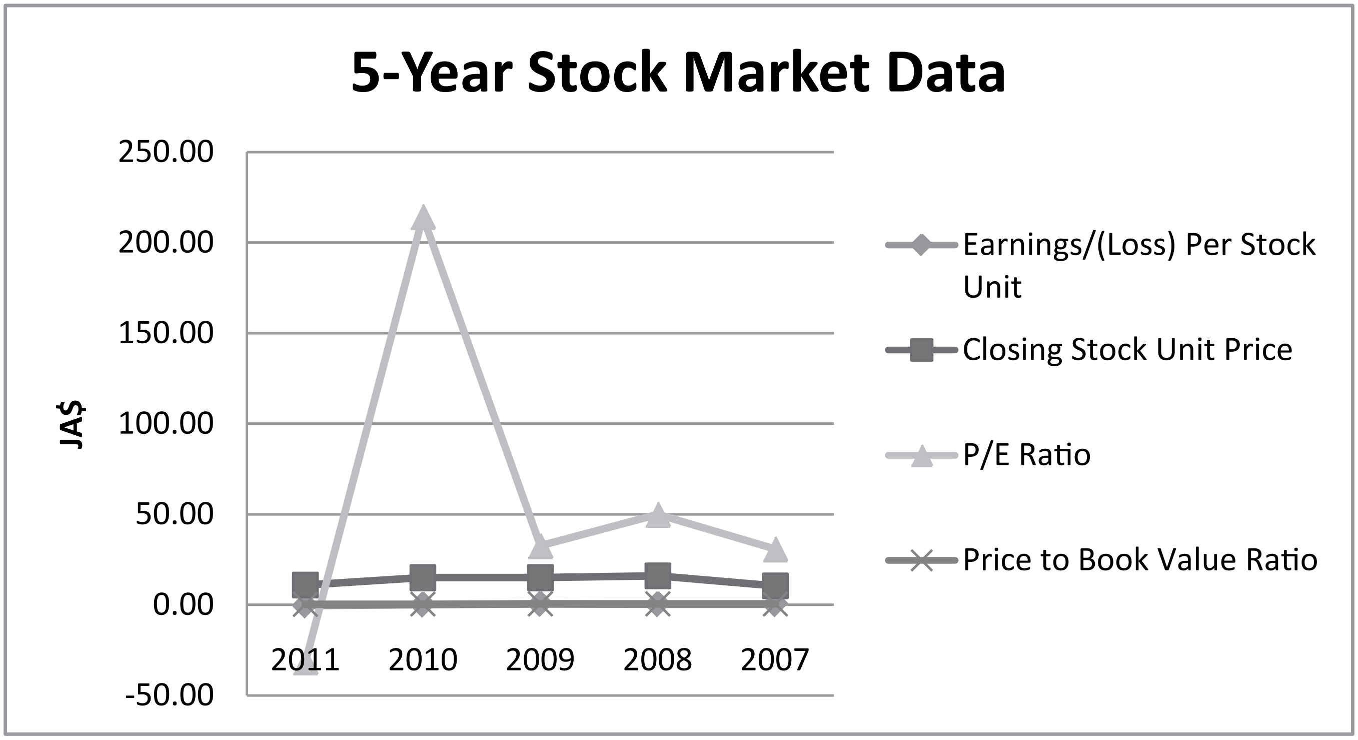

Financial Performance
Five Year Summary
2011
2010
2009
2008
2007


Earnings/(Loss) Per Stock Unit
JA$
0.60
0.50
0.40
0.30
0.20
0.10
0.00
-0.10
-0.20
-0.30
-0.40
2011
2010
2009
2008
2007


Closing Stock Unit Price
JA$
18.00
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
2011
2010
2009
2008
2007


P/E Ratio
JA$
250.00
200.00
150.00
100.00
50.00
0.00
-50.00
2011
2010
2009
2008
2007


Price to Book Value Ratio
JA$
0.60
0.50
0.40
0.30
0.20
0.10
0.00
2011
2010
2009
2008
2007


5-Year Stock Market Data
JA$
250.00
200.00
150.00
100.00
50.00
0.00
-50.00
2011
2010
2009
2008
2007
Earnings/(Loss) Per Stock Unit
Closing Stock Unit Price
P/E Ratio
Price to Book Value Ratio

SHARE OWNERSHIP

On November 29, 2010, Quivin Holdings Limited acquired the Government of Jamaica's 59.8% shares in the company. On December 28, 2010, Quivin Holdings Limited made an offer to purchase the additional 48,300,589 shares in PHJL at a price of J$13.14 per share. The offer opened on January 19, 2011 and closed on April 28, 2011. At the close of the offer on April 28, 2011, the total amount of shares owned by Quivin Holdings Limited in PHJL was 62.7%.

DIVIDENDS

No dividends were paid during the reporting period and at this time the directors are not recommending a payment.

GOVERNANCE

Sale of Majority Shares

On November 29, 2010, Quivin Holdings Limited, a St. Lucian registered company wholly owned by Kevin Hendrickson, purchased 71,865,384 shares in Pegasus Hotels of Jamaica Limited from National Hotels and Properties Limited, and became the majority shareholder with 59.81% of the total shares.

Directors

On November 29, 2010, National Hotels and Properties Limited exercised its powers under Article 80(1)(a) of the Articles of Incorporation and removed Joy Douglas, Daniella Gentles, Dahlia Kelly, Robert Russell, Michael Subratie and Desmond Young from the Board of Directors. Messrs. Milton Samuda, Kevin Hendrickson, Lance Hylton, Matthew Lyn, Eric Stultz and Mrs. Jacqueline Hendrickson were appointed in their stead.

On March 23 and 25, 2011, Mrs. Jacqueline Hendrickson and Mr. Lance Hylton resigned as Directors of the Company and Mrs. Nejma Jackie-Douglas and Mrs. Nicola Madden-Greig were appointed in their stead.

REPORT OF THE DIRECTORS

The Directors as at March 31, 2011 are:

Rev. Denzil Barnes
Mr. Christopher Bovell
Mr. Alston Douglas
Mr. Kevin Hendrickson
Dr. The Hon. John J. Issa
Mrs. Nejma Jackie-Douglas
Mr. Matthew Lyn
Mrs. Nicola Madden-Greig
Mr. Milton Samuda (Chairman)
Mr. Eric Stultz

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

Amendments to the Articles of Incorporation

At an Extra-Ordinary General Meeting of the company held February 24, 2011, by special resolution, the Articles of Incorporation were amended to read as follows:-

(a) 'Up to six (6) nominated directors (one of whom shall be designated chairman of the Board) shall be appointed and removed by the Majority Shareholder.
(b) Two (2) elected directors shall be elected by the shareholders of the company other than the Majority Shareholder in accordance with the provisions of Regulation 99.
(c) Up to two (2) co-opted directors may be co-opted annually by the nominated and elected Directors.

For purposes of this Article 80, the term Majority Shareholder means any single shareholder which is registered as the owner of fifty percent (50.0%) or more, ordinary voting shares of the company'.

Audit Committee

On November 29, 2010, Mrs. Dahlia Kelly and Mr. Michael Subratie resigned as members of the Audit Committee. On February 1, 2011, Messrs. Matthew Lyn and Eric Stultz were appointed members of the Audit Committee which now comprises: Rev. Denzil Barnes - Chairman, Mr. Matthew Lyn and Mr. Eric Stultz.

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

During the period under review the Committee met two (2) times where the quarterly reports for the Jamaica Stock Exchange, reports on the various departments from the Internal Auditor and the audit plan for the year were discussed. The Internal Auditor, General Manager and Financial Controller attended these meetings on the invitation of the committee's Chairman.

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

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

Management

Mr. Glenroy Scott demitted office as Director of Engineering at the end of February 2011. On July 15, 2011, Mr. Dean Elliot was appointed to replace him.

Auditors

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

BY ORDER OF THE BOARD

M. Y. McLean

....

MARLENE MCLEAN
COMPANY SECRETARY

DATED THIS 15TH DAY OF AUGUST 2011

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

Core Business

Over the past 38 years, the Pegasus as it is fondly called, has earned the enviable reputation for providing superb hospitality in accommodation and catering services and has been home to many and varied guests including corporate, royalty, dignitaries and heads of state, celebrities and sports icons. The Pegasus is a constant buzz of activity for Jamaicans.

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

The hotel operates two (2) Restaurants and Bars and provides conferences and meeting facilities. Local clients may apply for membership for the tennis and swimming pool facilities. Several offices including an airline and the American Chamber of Commerce are located at the hotel which is also the meeting place for Rotary, Kiwanis and other service clubs.

Long Term Vision

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

Strategies for Growth

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

- Direct selling activities
- Offering competitive rate packages
- Advertising
- Participating in overseas sales trips, trade shows and tourism promotions
- Continuing to host a superior, effective and user friendly website
- Promotions on our active social media networks
- Email blast to our client database
- Hosting social/marketing events to showcase catering facilities

The extended depressed economic climate has prompted the hotel to revisit all of its practices. The Pegasus has upgraded its information systems to ensure efficiency and effectiveness, re-emphasized tighter control of systems and procedures, and is exploiting every revenue opportunity.

Performance Drivers

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

Historical and forecast reports are used to monitor occupancy levels and room rates, catering and other revenue sources, as well as operating expenses.

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

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

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

Capability to Deliver Results

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

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

Results

While there was a decline in revenues because of the decreased occupancy levels and room rates, we were able to honour our commitments and still maintain a good cash balance.

Future

From all indications, there is still a level of uncertainty in the international economic arena. Domestically however, the indicators show that we will improve over last year and will realize higher room rates and occupancy levels. As such, we are forecasting a net profit for the year ahead.

Assumptions normally considered for preparation of budget and forecast include:

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

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

RISKS

Credit Risk

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

Liquidity Risk

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

The company's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis;
(ii) Maintaining a portfolio of highly marketable and liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
(iii) Maintaining committed lines of credit; and
(iv) Optimising cash returns on investments.

Market Risk

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

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hotel monitors and manages its foreign currency balances in order to maximize returns and reduce potential losses. This is attributable to its foreign currency takings and the US Bond Investment.

Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The standard operating procedure of the company ensures that the maturity of interest bearing instruments and liabilities is constantly and carefully monitored. The company has little exposure to interest rate risk as its investments and borrowings are at fixed rates of interest.

HISTORICAL BACKGROUND

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

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

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

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

By Memorandum of Agreement dated 8 April 1976, signed by all parties thereto, the shareholders of British Airways Associated Companies Limited and Trusthouse Forte International Limited were transferred to the Government of Jamaica in 1980.

On 15 April 1980 the Company became a subsidiary of National Hotels and Properties Limited who had acquired 59.8% of the ordinary stock units. National Hotels and Properties Limited is a wholly owned subsidiary of the Urban Development Corporation, which is owned by the Government of Jamaica.

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

HISTORICAL BACKGROUND

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

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

On November 29, 2010, Quivin Holdings Limited acquired the Government of Jamaica's 59.8% shares in the company. On December 28, 2010, Quivin Holdings Limited made an offer to purchase the additional 48,300,589 shares in PHJL at a price of J$13.14 per share. The offer opened on January 19, 2011 and closed on April 28, 2011. At the close of the offer on April 28, 2011, the total amount of shares owned by Quivin Holdings Limited in PHJL was 62.7%.

Audited Financial Statements

As at March 31, 2011

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 32 to 61 which comprise the statement of financial position as of 31 March 2011 and the statement of comprehensive income, statement of changes in stockholders' equity, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

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

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 March 2011, 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
22 July 2011
Kingston, Jamaica

Statement of Comprehensive Income
Year ended 31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Revenue		989,879	965,977
Direct expenses		(369,105)	(337,938)
Gross Profit		620,774	628,039
Administration expenses		(329,290)	(302,707)
Other operating expenses		(360,591)	(323,979)
Other operating income	6	10,114	10,943
Operating (Loss)/Profit		(58,993)	12,296
Finance income	9 (a)	4,036	14,154
Finance costs	9 (b)	(23,615)	(16,679)
(Loss)/Profit before Taxation		(78,572)	9,771
Taxation	10	36,566	(1,495)
Net (Loss)/Profit		(42,006)	8,276
Other Comprehensive Income:			
Fair value adjustments to land and buildings, net of taxes		200,000	471,071
Fair value adjustments to available-for-sale financial assets, net of taxes		430	(2,734)
Other Comprehensive Income, net of taxes		200,430	468,337
Total Comprehensive Income		158,424	476,613
(Loss)/Earnings Per Stock Unit	11	($0.35)	$0.07

Statement of Financial Position
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Non-Current Assets			
Fixed assets	13	5,944,484	5,779,819
Investmet securities	14	13,076	90,607
Current Assets			
Inventories	15	49,230	46,699
Trade and other receivables	16	137,095	118,730
Cash at bank	17	47,197	21,243
		233,522	186,672
Current Liabilities			
Trade and other payables	19	191,576	198,107
Bank overdraft	17/18	-	8,747
Taxation payable		22,248	31,087
Current portion of long term liabilities	18	55,239	60,427
		269,063	298,368
Net Current Liabilities		(35,541)	(111,696)
		5,922,019	5,758,730
Stockholders' Equity			
Share capital	20	120,166	120,166
Capital reserve	21	4,376,351	4,176,351
Fair value reserve		(320)	(750)
Accumulated deficit		(72,308)	(30,302)
		4,423,889	4,265,465
Non-Current Liabilities			
Long term liabilities	18	36,095	87,871
Deferred tax liabilities	22	1,462,035	1,405,394
		5,922,019	5,758,730

Approved for issue on behalf of Board of Directors on 22 July 2011 and signed on its behalf by:

Milton Samuda — Director

Rev. Denzil Barnes — Director

Statement of Changes in Stockholders' Equity
Year ended 31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings/ (Accumulated Deficit)	Total
	'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2009	120,166	120,166	3,705,280	1,984	3,481	3,830,911
Net Profit	-	-	-	-	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	120,166	120,166	4,176,351	(750)	(30,302)	4,265,465
Net Profit	-	-	-	-	(42,006)	(42,006)
Other comprehensive income - Fair value adjustments, net of taxes:						
Buildings (Note 22)	-	-	200,000	-	-	200,000
Financial assets (Note 22)	-	-	-	430	-	430
Total comprehensive income	-	-	200,000	430	(42,006)	158,424
Balance at 31 March 2011	120,166	120,166	4,376,351	(320)	(72,308)	4,423,889

Stockholders' Equity per Stock Unit

2010	$35.50
2011	$36.81

Statement of Cash Flows
Year ended 31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	2011 $'000	2010 $'000
Cash Flows from Operating Activities		
Net (loss)/profit	(42,006)	8,276
Adjusted for:		
Depreciation	140,940	112,565
Gain on disposal of fixed assets	-	(500)
Exchange loss/(gain) on foreign balances	1,798	(1,217)
Interest income	(4,036)	(13,475)
Interest expense	15,902	16,679
Taxation expense	(36,566)	1,495
	76,032	123,823
Changes in operating assets and liabilities:		
Increase in inventories	(2,531)	(13,282)
Increase in receivables	(18,651)	(2,978)
(Decrease)/Increase in payables	(6,531)	48,647
	48,320	156,210
Taxation paid	(16,035)	(17,969)
Net cash provided by operating activities	32,285	138,241
Cash Flows from Financing Activities		
Dividends paid	-	(42,059)
Long term loan received	-	100,000
Long term loan repaid	(56,965)	(43,841)
Interest paid	(15,902)	(16,679)
Net cash used in financing activities	(72,866)	(2,579)
Cash Flows from Investing Activities		
Interest received	3,951	12,297
Investments acquired	-	(115,046)
Proceeds from investment disposal	78,448	85,000
Purchase of fixed assets	(5,605)	(152,282)
Proceeds on disposal of fixed assets	-	500
Net cash provided by/(used in) investing activities	76,794	(169,531)
	36,213	(33,869)
Exchange (loss)/gain on net foreign cash balances	(1,512)	1,078
Increase/(Decrease) in cash and cash equivalent	34,701	(32,791)
Cash and cash equivalents at beginning of year	12,496	45,287
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 17)	47,197	12,496

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

Pegasus Hotels of Jamaica Limited (the hotel/the company) is a company limited by shares and incorporated under the Laws of Jamaica. During the 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 was obliged to make and made an offer to the minority shareholders for the remaining 48,300,589 issued shares. The offer closed on 28 April 2011.

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.

The financial statements show that the company generated positive cash flows from operations of $32,285,000 and current year losses of $42,006,000 and has an accumulated deficit position of $72,308,000 and net current liabilities of $35,541,000.

Management and the board of directors have identified and are considering various initiatives that should result in the company returning to profitability and generating sufficient cash flows to continue to realise its assets and settle its obligations in the ordinary course of business for the foreseeable future. These financial statements have therefore been prepared on a going concern basis.

(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 which are immediately relevant to its operations.

- **IAS 1 (Amendment), Presentation of financial statements** (effective for annual periods beginning on or after 1 January 2010). The amended standard clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of the standard does not have an impact on the financial position of the company.

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures (continued)

Accounting pronouncements effective in the current year affecting presentation and disclosure (continued)

- **IAS 36 (Amendment), Impairment of Assets** (effective for annual periods beginning on or after 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, (that is, before the aggregation of segments with similar economic characteristics). 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.

(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.

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(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.

(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 recognised in other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are charged to profit or loss. 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 or loss.

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

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(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 profit or loss 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.

(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 levels 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.

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(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.

(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.

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(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 profit or loss 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.

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3. **Financial Risk Management (Continued)**

(a) **Credit risk**

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the company's hotel receivables from guests and investment activities. The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and industry segments.

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.

Investments

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.

Trade (hotel) and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed individually for creditworthiness prior to the company offering them a credit facility. Credit limits are assigned to each customer, which represents the maximum credit allowable without approval from the General Manager or Financial Controller. The company has procedures in place to restrict customer orders if the order will exceed their credit limits. Customers that fail to meet the Company's benchmark creditworthiness may transact with the company on a prepayment basis.

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

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

The company's average credit period for services provided is 15 - 30 days. Trade receivables over 90 days are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any financial institution.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Worst case scenario of credit risk exposure
The worst case scenario of the Company's exposure to credit risk is as follows:

	2011 $'000	2010 $'000
Investments	13,076	90,607
Trade and other receivables	101,245	67,009
Cash and short term investments	47,197	21,243
	161,518	178,859

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

Trade receivables that are less than 30 days past due are not considered impaired. The ageing analysis of trade receivables that are past due but not considered impaired is as follows:

	2011 $'000	2010 $'000
30 – 90 days	1,662	-
Over 90 days	4,193	2,870
	5,855	2,870

Ageing analysis of trade and other receivables that are past due and impaired

At year end, trade and other receivables of $31,354,000 (2010 - $30,834,000) were impaired and fully provided for. The individually impaired receivables relate to customers and members of staff who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2011 $'000	2010 $'000
30 – 90 days	1,624	1,104
Over 90 days	29,730	29,730
	31,354	30,834

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement on the provision for impairment of trade and other receivables

	2011 $'000	2010 $'000
At start of year	30,834	23,094
Provided during the year	520	7,740
At end of year	31,354	30,834

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

Trade receivables by customer sector

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

	2011 $'000	2010 $'000
Government	-	2,803
Non-Government	85,602	60,681
	85,602	63,484
Less: Provision for credit losses	(1,624)	(1,104)
	83,978	62,380

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.

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3. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by management includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure funding if required.

(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.

Undiscounted contractual cash flows of financial liabilities

The tables below summarise the maturity profile of financial liabilities based on contractual undiscounted payments:

	2011				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
Long term liabilities	12,068	15,910	45,573	53,466	127,017
Trade payables	-	79,249	-	-	79,249
Other payables	-	6,618	-	-	6,618
Total financial liabilities	12,068	101,777	45,573	53,466	212,884

	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

Liabilities are usually covered by cash generated from operations in the normal course of business. Assets available to meet all liabilities and to cover financial liabilities include cash and investments.

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3. Financial Risk Management (Continued)

(c) Market risk
The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by management 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. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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

At 31 March 2011, the company was exposed to currency risk through its holdings of US dollar denominated assets, carried on the balance sheet at $38,063,000 (2010 - $86,736,000). These assets were investment securities, trade and other receivables and cash and bank balances. There were no foreign currency denominated liabilities.

The following table indicates the effect on profit or loss arising from changes in foreign currency rates, primarily with respect to the US dollar. There is no direct impact on equity resulting from changes in the foreign currency rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2010 – 5%) devaluation and a 5% (2010 – 1%) revaluation of the Jamaican dollar against the US dollar, 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 and losses on translation of US dollar-denominated trade and other receivables, investments and cash.

	2011	2010
	$'000	$'000
Effect on profit/(loss) before tax–		
Devaluation	1,903	4,336
Revaluation	(380)	(867)

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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. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

The company's interest rate risk arises from its investments and long term borrowings. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates based on variable rate investments and floating rate borrowings. The sensitivity of other components of equity is calculated by revaluing fixed rate and quoted investments classified as available-for-sale for the effects of the assumed changes in interest rates. 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 variables, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

The following table indicates the sensitivity to a reasonable possible increase in interest rates of 0.5% (2010 – US$0.5%, J$2%) and a reasonable possible decrease of 0.5% (2010 – US$0.5%, J$1%), with all other variables held constant, on the profit and loss and equity.

	Increase in interest rates		**Decrease in interest rates**	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Effect on profit before tax	29	539	(29)	(339)

The company has no other financial instruments at year end that are subject to interest fluctuation in the next 12 months.

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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 shareholders 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 shareholders' 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:

	2011	2010
	$'000	$'000
Debt	91,334	148,298
Equity	4,423,889	4,265,465
Total capital	4,515,223	4,413,763
Gearing ratio	2.02%	3.36%

The company is not subject to external capital regulatory requirements.

(e) Fair values estimation of financial instruments

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.

The following table provides an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments 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 $13,076,000 (2010 - $90,607,000) 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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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.

Valuation of land and buildings
Land and buildings 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(c)). 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.

	2011				
	Rooms	**Food & Beverage**	**Communication**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	598,344	352,301	2,498	36,736	989,879
Segment result	504,921	83,322	(3,915)	36,446	620,774
Unallocated costs, net of other income					679,767
Operating profit					(58,993)

	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

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

	2011 $'000	2010 $'000
Gain on sale of fixed assets	-	500
Special events	10,114	10,443
	10,114	10,943

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7. Expenses by Nature

Total direct, administration and other operating expenses:

	2011 $'000	2010 $'000
Advertising and promotion	47,921	37,629
Auditors' remuneration	2,661	2,310
Bank charges	13,789	5,353
Computer fees	9,922	6,337
Cost of inventories recognised as an expense	186,694	179,391
Credit card expenses	14,329	12,283
Depreciation (Note 13)	140,940	112,565
Divestment expenses	11,297	-
Directors' emoluments	1,100	977
Equipment rental	9,906	9,870
Insurance	53,137	56,660
Legal and professional fees	650	4,361
Repairs, maintenance and renewals	65,407	65,910
Replacement of soft furnishings	37,093	28,460
Security	17,407	19,455
Staff costs (Note 8)	273,124	247,293
Utilities	128,520	111,678
Other	45,089	64,092
	1,058,986	964,624

8. Staff Costs

	2011 $'000	2010 $'000
Wages and salaries	196,414	180,112
Statutory contributions	21,978	18,888
Pension contribution	7,530	6,438
Other	47,202	41,855
	273,124	247,293

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

	2011 No.	2010 No.
Full-time	210	209
Part-time	51	46
	261	255

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9. Finance Income and Finance Costs

	2011 $'000	2010 $'000
(a) Finance Income		
Exchange gains on investments	-	679
Interest income	4,036	13,475
	4,036	14,154
(b) Finance Costs		
Foreign exchange losses	7,713	-
Interest expenses	15,902	16,679
	23,615	16,679

10. Taxation Expense

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

	2011 $'000	2010 $'000
Current taxation	25,890	27,816
Adjustment to prior years' provision	(18,694)	523
	7,196	28,339
Deferred taxation (Note 22)	(43,762)	(26,844)
	(36,566)	1,495

(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:

	2011 $'000	2010 $'000
(Loss)/profit before taxation	(78,572)	9,771
Tax calculated at a tax rate of 33⅓%	(26,191)	3,257
Adjusted for the effect of:		
Expenses not deducted for tax purposes	2,284	-
Relieved under Approved Hotel Extension Order	(11,902)	(789)
Other charges and allowances	(757)	(973)
	(36,566)	1,495

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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 items as per approved schedule of the Hotel Incentive Act 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.

	2011	2010
Net (loss)/profit attributable to stockholders ($'000)	(42,006)	8,276
Number of ordinary stock units ('000)	120,166	120,166
(Loss)/Earnings per stock unit	(0.35)	0.07

The company has no dilutive potential ordinary shares.

12. Dividends

	2011 $'000	2010 $'000
Interim dividends –		
10 cents per stock unit – 8 April 2009	-	12,017
25 cents per stock unit – 18 December 2009	-	30,042
	-	42,059

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13. Fixed Assets

	Land $'000	Buildings $'000	Fixtures & Furnishings $'000	Motor Vehicles $'000	Total $'000
			2011		
Cost or Valuation -					
At 1 April 2010	1,200,000	4,200,000	818,282	4,777	6,223,059
Additions	-	-	5,605	-	5,605
Revaluation	-	240,000	-	-	240,000
At 31 March 2011	1,200,000	4,440,000	823,887	4,777	6,468,664
Depreciation -					
At 1 April 2010	-	-	440,906	2,334	443,240
Charge for the year	-	60,000	80,161	779	140,940
Revaluation	-	(60,000)	-	-	(60,000)
At 31 March 2011	-	-	521,067	3,113	524,180
Net Book Value -					
At 31 March 2011	1,200,000	4,440,000	302,820	1,664	5,944,484

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13. Fixed Assets (Continued)

	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

Land and buildings were revalued as at 31 March 2011 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 $6,513,000 (2010 – $6,346,000).

14. Investment Securities

	2011 $'000	2010 $'000
Available for sale –		
Government of Jamaica securities		
US$ denominated bonds	12,991	59,034
Local bonds	-	30,395
	12,991	89,429
Interest receivable	85	1,178
	13,076	90,607

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15. Inventories

	2011 $'000	2010 $'000
Food and beverage	22,875	21,603
China and glassware	3,464	2,793
Other	22,891	22,303
	49,230	46,699

16. Trade and Other Receivables

	2011 $'000	2010 $'000
Trade receivables	85,602	63,484
Less: Provision for impairment	(1,624)	(1,104)
	83,978	62,380
Credit card receivables	11,308	1,462
Prepaid insurance	35,850	37,309
GCT recoverable	-	14,412
Other	35,689	32,897
Less: Provision for impairment	(29,730)	(29,730)
	5,959	3,167
	137,095	118,730

17. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances original terms to maturity not exceeding 90 days.

	2011 $'000	2010 $'000
Cash at bank and in hand	47,197	21,243
Bank overdraft (Note 18)	-	(8,747)
	47,197	12,496

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18. Borrowings

	2011 $'000	2010 $'000
Bank overdraft	-	8,747
Long term liabilities	91,334	148,298
	91,334	157,045

(a) Bank overdraft

The company has a bank overdraft facility of up to $20,000,000.00 (2010 - $20,000,000), which attracts interest at 16.75% (2010 - 21.9%) and which is immediately rate sensitive. The overdraft facility is unsecured.

(b) Long term liabilities

	2011 $'000	2010 $'000
Development Bank of Jamaica Limited	91,334	148,298
Less: Current portion	(55,239)	(60,427)
	36,095	87,871

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

	2011 $'000	2010 $'000
Trade payables	79,249	70,706
Accruals	54,323	59,079
Staff related statutory costs	51,386	61,930
Other	6,618	6,392
	191,576	198,107

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20. Share Capital

	2011 $'000	2010 $'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:

	2011 $'000	2010 $'000
Balance at start of year	1,405,394	1,165,578
Credited to profit or loss (Note 10)	(43,762)	(26,844)
Charged to other comprehensive income	100,403	266,660
Balance at end of year	1,462,035	1,405,394

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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	Fair value gains	Interest receivable	Total
	$'000	$'000	$'000	$'000	$'000
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 1 April 2010	227	1,510,420	-	393	1,511,040
Credited to profit or loss	(227)	-	-	(366)	(593)
Charged to other comprehensive income	-	100,000	28	-	100,028
At 31 March 2011	-	1,610,420	28	27	1,610,475

Deferred tax assets

	Accounts Payable	Fair value losses	Excess of depreciation over capital allowances	Total
	$'000	$'000	$'000	$'000
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 1 April 2010	18,694	375	86,577	105,646
(Charged)/Credited to profit or loss	(18,694)	-	61,863	43,169
Charged to other comprehensive income	-	(375)	-	(375)
At 31 March 2011	-	-	148,440	148,440

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Income Taxes (Continued)

Reconciliation of other comprehensive income

Deferred tax liabilities/assets to be recovered after more than 10 years are $1,610,420 and $161,065 respectively (2010 - $1,510,420 and $105,646).

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

	2011			2010		
	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	300,000	(100,000)	200,000	738,106	(267,035)	471,071
Fair value adjustments of financial assets	833	(403)	430	(3,109)	375	(2,734)
Other comprehensive income	300,833	(100,403)	200,430	734,997	(266,660)	468,337

23. Related Party Transactions (Note to be re-done as related parties were changed during the year).

During the year, the company provided services valuing $2,135,000 (2010 – $12,855,000) to fellow government-owned institutions. The year end balance arising from the provision of services was $555,000 (2009 – $2,803,617).

Key management compensation was as follows:

	2011 $'000	2010 $'000
Wages and salaries	25,721	25,794
Statutory contributions	1,543	1,548
Pension contributions	1,471	1,290
Other	602	774
	29,337	29,406
Directors' emoluments –		
Fees	1,100	977

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

24. Retirement Benefit Plans

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

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

The company currently contributes at a rate of 5% of pensionable salaries and has no legal or constructive obligation to make further contributions in the event that plan assets are not sufficient to pay retirement benefits. On this basis, the company has recognised $7,530,000.00 as an expense for the year ended 31 March 2011 (2010 - $6,438,000), 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.

26. Subsequent Events

Subsequent to the end of the financial year, shareholders owning 3,499,794 ordinary shares, accepted the mandatory offer made by Quivin Holdings (Note 1) to acquire 48,300,589 shares that were owned by the minority shareholders.

Unaudited Financials For First Quarter

Ended June 30, 2011

Profit and Loss Account
Period ended 30 June 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 3 months to 30-Jun 2011 $000	Unaudited 3 months to 30-Jun 2010 $000	Audited Year 31-Mar 2011 $000
Revenue	249,492	237,024	989,879
Direct expenses	(107,704)	(101,022)	(369,105)
Gross Profit	**141,788**	**136,002**	**620,774**
Administration expenses	(81,448)	(79,308)	(329,290)
Other operating expenses	(82,468)	(73,962)	(360,591)
Other operating income	18,188	227	10,114
Operating profit	**(3,940)**	**(17,041)**	**(58,993)**
Interest income	162	1,338	4,036
Interest expenses	(2,910)	(4,646)	(23,615)
Profit / beforeTaxation	**(6,688)**	**(20,349)**	**(78,572)**
Taxation	-	-	36,566
NET PROFIT	**(6,688)**	**(20,349)**	**(42,006)**
EARNINGS PER STOCK UNIT	**$ (0.06)**	**$ (0.17)**	**$ (0.35)**

Balance Sheet on 30 JUNE 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Jun-11 $'000	Unaudited Jun-10 $'000	Audited Mar-11 $'000
Non-Current Assets			
Fixed Assets	5,905,888	5,744,179	5,944,484
Investments	13,076	90,607	13,076
Current Assets			
Inventories	53,076	50,928	49,230
Accounts receivable	92,724	83,028	137,095
Cash and short term deposits	39,294	0	47,197
	185,094	133,956	233,522
Current Liabilities			
Accounts payable	123,526	88,348	191,576
Bank overdraft	0	18,140	0
Taxation payable	22,248	22,363	22,248
Current portion of long term liabilities	55,239	60,427	55,239
	201,013	189,278	269,063
Net Current Assets	(15,919)	(55,322)	(35,541)
	5,903,045	5,779,464	5,922,019
FINANCED BY:			
Share Capital	120,166	120,166	120,166
Capital Reserves	4,376,351	4,176,351	4,376,351
Fair value reserve	(320)	(750)	(320)
Retained earnings	(78,996)	(13,261)	(72,308)
	4,417,201	4,282,506	4,423,889
Long Term Liabilities	23,809	72,871	36,095
Deferred Tax liabilities	1,462,035	1,424,088	1,462,035
	5,903,045	5,779,464	5,922,019
	0	0	0

Milton Samuda - Chairman

Denzil Barnes - Director

Statement of Changes in Stockholders' Equity
Three (3) Months ended 30 June,2011
(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Replacement Reserve	Fair Value Reserve	Retained Earnings/Accumulated Deficit	Total
	000	$'000	$'000	$'000		$'000	$'000
Balance as at 1 April 2010	**120,166**	**120,166**	**4,176,351**	**-**	**(750)**	**(30,302)**	**4,265,465**
Profit for the Year						(42,006)	(42,006)
Other comprehensive income -							
Fair value adjustments, net of taxes:							
- Land and buildings	-	-	200,000	-		-	200,000
- Financial assets					430		430
Total Comprehensive Income for 2010/2011	**-**	**-**	**200,000**	**-**	**430**	**(42,006)**	**158,424**
Dividends paid	-	-				-	-
	-	-	-	-		-	-
Balance at 31 March 2011	**120,166**	**120,166**	**4,376,351**	**-**	**(320)**	**(72,308)**	**4,423,889**
Loss for 1st quarter 2011/2012						(6,688)	(6,688)
Other comprehensive income -							
Fair value adjustments, net of taxes:							
- Land and buildings	-	-	-	-		-	-
- Financial assets					-		-
Total Comprehensive Income for quarter 30 June 2011	**-**	**-**	**-**	**-**	**-**	**(6,688)**	**(6,688)**
Dividends paid	-	-				-	-
	-	-	-	-		-	-
	-	-	-	-		-	-
Balance at 30 June 2011	**120,166**	**120,166**	**4,376,351**	**-**	**(320)**	**(78,996)**	**4,417,201**
Balance at 30 June 2010	**120,166**	**120,166**	**4,176,351**	**-**	**(750)**	**(13,261)**	**4,282,506**

Statement of Cash Flows
Period ended 30 JUNE 2011
(expressed in Jamaican dollars unless otherwise indicated)

	3 Months to 30/6/2011 $000	3 Months to 30/6/2010 $000	Audited 30/3/2011 $000
Cash Flow from Operating Activities	-	-	-
Net Profit	(6,688)	(20,349)	(42,006)
Adjusted for:			
Depreciation	38,596	35,807	140,940
(Gain) /Loss on disposal of fixed assets	-	-	-
Exchange gain on foreign balances	-	-	1,798
Interest income	(162)	(1,338)	(4,036)
Interest expense	2,910	4,646	15,902
Taxation expense	-	-	(36,566)
	34,656	18,766	76,032
Changes in operating assets and liabilities:			
Inventories - (increase)/decrease	(3,846)	(4,229)	(2,531)
Receivables - (increase)/decrease	44,371	35,702	(18,651)
Payables - increase/(decrease)	(68,050)	(53,675)	(6,531)
	7,131	(3,436)	48,320
Taxation paid	-	(8,724)	(16,035)
Net cash provided by operating activities	**7,131**	**(12,160)**	**32,285**
Cash Flows From Financing Activities			
Dividend paid	-	-	-
Long term loan received	-	-	-
Long term loan repaid	(12,286)	(15,000)	(56,965)
Interest paid	(2,910)	(4,646)	(15,902)
Net cash (used in)/provided by financing activities	(15,196)	(19,646)	(72,866)
Cash Flows from Investing Activities			
Interest received	162	1,338	3,951
Investments	-	-	78,448
Purchase of fixed assets		(168)	(5,605)
Proceeds on disposal of fixed assets	-	-	-
Net cash used in investing activities	162	1,170	76,794
	(7,903)	(30,636)	36,213
Exchange gain on net foreign cash balances	-	-	(1,512)
Net increase /(decrease) in cash and cash equivalent	(7,903)	(30,636)	34,701
Cash and short term deposits at beginning of year	47,197	12,496	12,496
CASH AND SHORT TERM DEPOSITS AT END OF PERIOD	**39,294**	**(18,140)**	**47,197**
Add Investments	**13,076**	**90,607**	**13,076**
CASH AND CASH EQUIVALENT AT END OF PERIOD	**52,370**	**72,467**	**60,273**

MAJOR GROUPS HOSTED DURING THE PERIOD UNDER REVIEW

APRIL 2010 TO MARCH 2011	
MONTHS	**GROUPS**
APRIL	➢ INTERNATIONAL SEABED AUTHORITY ➢ JAMAICA CRICKET FESTIVAL ➢ GLOBAL SOUTH AFRICAN GROUP
MAY	➢ ROTARY DISTRICT CONFERENCE
JUNE	➢ CXC MARKERS ➢ IDRC CDRI CANADA
JULY	➢ TENNIS JAMAICA ITF GROUP ➢ CHINESE SUGAR DELEGATION
AUGUST	➢ HOPE CHARITABLE SERVICES ➢ ENGLAND NETBALL TEAM
SEPTEMBER	➢ LIME MANAGEMENT MEETING ➢ JAMAICA INSTITUTION OF ENGINEERS – BRIDGE CONFERENCE
OCTOBER	➢ WEST INDIES CRICKET BOARD TRAINING
NOVEMBER	➢ TROPICAL HORTICULTURE SYMPOSIUM ➢ DIGICEL EMERGENCY TEAM
DECEMBER	➢ ENVIRONMENTAL AND NUCLEAR SCIENCES ➢ ACE CONSULTANTS
JANUARY	➢ JAMAICA STOCK EXCHANGE ➢ DIPLOMTIC WEEK ➢ DHL
FEBRUARY	➢ UWI - COMSEC
MARCH	➢ CARIBBEAN EXPORT DEVELOPMENT AGENCY ➢ OAS – CICAD ➢ LIME MANAGEMENT MEETING ➢ USAID REGIONAL LAW ENFORCEMENT ANTI-CORRUPTION CONFERENCE ➢ IDB – PRODEV ➢ UWI – SALISES CONFERENCE ➢ WORLD BANK CARIBBEAN REMITTANCE
APRIL TO JUNE 2011	
APRIL	➢ PAHO ➢ UWI COUNCIL ON LEGAL EDUCATION ➢ VERE TECHNICAL REUNION ➢ ST. ANDREW TECHNICAL REUNION
MAY	➢ IDB ➢ CARICOM IMPORT POLICY MEETING ➢ WORLD BANK TRAINING SEMINAR
JUNE	➢ WEST INDIES CRICKET ➢ NOVA MEDICAL MISSION ➢ INSTITUTE OF CHARTERED ACCOUNTANTS

NOTES

FORM OF PROXY

I/We..of...

being a member/members of the above-named company hereby appoint.....................................

or failing him/her...of.......................................

as my/our Proxy to vote for me/us on my/our behalf at the **43rd Annual General Meeting** of the Company to be held at Jamaica Pegasus Hotel, **81 Knutsford Boulevard, Kingston 5** in the Parish of **Saint Andrew** on **Monday,** 26th September, 2011 and at any adjournment thereto.

Dated this.........................day of...2011.

....
(Signature of Member/Members)

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

Ordinary Business

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

NOTES: -

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