

# **THIS DOCUMENT IS IMPORTANT**

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

## **Directors' Circular**

**To the Stockholders of:**

### **Pegasus Hotels of Jamaica Limited**

**in response to the Offer by**

**QUIVIN INTERNATIONAL LIMITED**

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**to acquire ALL of the ordinary stock units in**

**PEGASUS HOTELS OF JAMAICA LIMITED**

## **PEGASUS HOTELS OF JAMAICA LIMITED – DIRECTORS’ CIRCULAR**

### **INTRODUCTION**

November 24, 2011

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

To: **The Stockholders of Pegasus Hotels of Jamaica Limited**

On November 18, 2011 an offer (the “Offer”) was received from Quivin International Limited (the “Offeror”) to purchase ALL of the ordinary shares of Pegasus Hotels of Jamaica Limited (herein called the “Company” or “Pegasus”). The price being offered is J\$22.50 per stock unit (the “Offer Price”).

The Offer opens at 10:00 a.m. on Friday, November 25, 2011 (the “Opening Date”) and is scheduled to close at 3:00 p.m. on Thursday, December 15, 2011 (the “Closing Date”). The procedure and requirements relating to acceptance of the Offer are set out in the Offeror’s Take-Over Bid and the Form of Acceptance and Transfer circulated with this Directors’ Circular which are all sent to you as part of the Offer.

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

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

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

Directors	No. of Stock units Directly owned	No. of Stock units Indirectly owned
Milton Samuda	Nil	Nil
Kevin Hendrickson	10,000	112,340,523
Nicola Madden-Greig	Nil	Nil
Nejma Jackie-Douglas	Nil	Nil
Matthew Lyn	Nil	Nil
Eric Stultz	15,500	Nil

- (b) To the knowledge of your Directors, the persons or companies directly or indirectly beneficially holding more than 10% of the voting rights of Pegasus is:

	Stockholding	Percentage of Stock units in Book
Quivin Holdings Limited	112,340,523	93.49%

2. As far as the Directors are aware the beneficial owners mentioned at 1(a) and (b) above have accepted or intend to accept the Offer made by the Offeror. The Offeror has entered into an agreement with Quivin Holdings Limited pursuant to which Quivin Holdings Limited has agreed to accept the terms of the Offer in respect of the number of the Company's stock units indicated at item 1 above.
3. Kevin Hendrickson, who is a director of Quivin International Limited, the Offeror, beneficially owns 10,000 stock units of Pegasus and also beneficially owns 100% of the equity stocks carrying voting rights in Quivin Holdings Limited.
4. As far as the Directors are aware and after due enquiry, no arrangements or agreements have been made or have been proposed between the Offeror and any of the Directors or officers of Pegasus whether for compensation of loss of office or relating to their remaining in or retiring from office, if the Offer is successful.
5. (a) Subject to item 5(b), as far as the Directors are aware no director or officer of Pegasus, and no person or company beneficially holding over 10% of the voting rights of Pegasus, has any interest in any material contracts to which Pegasus is a party.

(b) Kevin Hendrickson beneficially owns 100% of and is a director of Surrey Hotel Management Limited, the company that has leased the Jamaica Pegasus Hotel from the Company.

6. The volume of trading and price range of the stock of Pegasus stock units on the Jamaica Stock Exchange from May to October 2011 being the six (6) period preceding the Offer are as follows:

MAY	0	0	0	11.00
JUNE	0	0	0	11.00
JULY	11,550	11.00	11.00	11.00
AUGUST	4,278	11.00	11.00	11.00
SEPTEMBER	790	15.00	15.00	15.00
OCTOBER	37,033,538	22.50	15.00	22.49

7. The financial results of Pegasus for the year ended March 31, 2011 and for the six (6) months ended September 30, 2011 (unaudited) are herein attached at Appendix 1 and Appendix 2 respectively. The Directors are not aware of any information that indicates any material change in the financial position or prospects of Pegasus since the Company's last published interim financial statements dated September 30, 2011 save that on October 28, 2011 the Company granted a Lease to Surrey Hotel Management Limited of the property known as the Jamaica Pegasus Hotel. The main provisions of the agreements between Pegasus and Surrey are as follows:

- Term: One year with an option to renew for a period of 24 years and for a further period of 25 years
- Rent: First year – US\$1,000,000.00; First year of Option Period – US\$1,200,000.00; Second year of Option Period – US\$1,400,000.00
- The tenant, Surrey Hotel Management Limited, is responsible for all expenses of the property, property taxes, insurance and maintenance.
- Pegasus sold to Surrey the hotel business and all the assets of the Hotel (except for Pegasus' Intellectual Property, debts and liabilities, cash and cash equivalent, trade and other receivables or payables) for J\$353,714,000.00.
- Pegasus granted to Surrey the exclusive, worldwide, unlimited right to use, copy, reproduce and distribute the Intellectual Assets of Pegasus for US\$200,000 per year.

8. Save as set out below, as far as the Directors are aware, none of the Directors or Officers of the Company has purchased or sold Pegasus stock units or Quivin International Limited's shares in the last six (6) months.

Purchase by Quivin Holdings Limited	October 18, 2011	37,027,055	30.81%
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9. Pegasus profit and loss summaries extracted from the audited financial statements for the five financial years ended March 31, 2011 are set out below:

		Restated	Restated		
	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
	J\$000	J\$000	J\$000	J\$000	J\$000
<b>Revenue</b>	989,879	965,977	1,002,775	676,291	738,015
Direct expenses	(369,105)	(337,938)	(345,659)	(268,780)	(275,050)
<b>Gross Profit</b>	620,774	628,039	657,116	407,511	462,965
Administration expenses	(329,290)	(302,707)	(274,540)	(204,019)	(188,158)
Other operating expenses	(360,591)	(323,979)	(331,215)	(347,636)	(235,162)
Other operating income	10,114	10,943	3,156	205,940	5,697
<b>Operating Profit</b>	(58,993)	12,296	54,517	61,796	45,342
Interest income	4,036	14,154	20,207	8,455	14,186
Interest expense	(23,615)	(16,679)	(12,054)	(7,073)	(6,210)
<b>Profit before Taxation</b>	(78,572)	9,771	62,670	63,178	53,318
Taxation	36,566	(1,495)	(19,207)	(24,163)	(12,238)
<b>Net Profit</b>	(42,006)	8,276	43,463	39,015	41,080

## Other Information

### 10. Changes in Directorship

John Issa resigned as a Director of Pegasus effective October 18, 2011. He also sold all his shares in Pegasus on October 18, 2011.

Christopher Bovell, Alston Douglas and Rev. Denzil Barnes resigned as Directors of Pegasus effective November 8, 2011.

11. At the request of the Pegasus, Property Consultants Limited, Commercial Real Estate Appraisers and Valuers carried out a valuation of the real estate and buildings as at

31, March 2011. Their valuation and their written consent are reproduced at Appendix 3.

## **12. The Recommendation**

Your Board reviewed the entirety of the information set out herein, the terms and conditions of the Offer set out in the Take-Over Bid Circular issued by Quivin International Limited, the trading information of the stock units over the past six months on the Jamaica Stock Exchange (“JSE”) and such other information as it considered relevant.

The Directors recommend that the Offer price of J\$22.50 per stock unit be accepted by stockholders for the following reasons:

- i. The Offer Price represents a 52 week high for the stock and equals the highest trading price in the history of the stock so far as your directors can ascertain (reviewing records going back to 1997).
- ii. The Offer Price also equals the price paid by Quivin Holdings Limited to acquire 36,924,055 Pegasus shares on October 18, 2011 from a group of private shareholders, including Mr. John Issa, after a period of negotiations.
- iii. The Company is on an irrevocable path to being delisted as it no longer complies with the listing requirements of the JSE. Shareholders who do not accept the Offer should note that once the Company is delisted it will be subject to the rules and procedures applicable to a typical non listed company including provisions whereby:
  - transfers of shares will be subject to the approval of the directors;
  - shares will not be tradable on the floor of the JSE;
  - all share transfers will render both the transferor and transferee liable to taxation, since the exemption now provided by the company’s listed status will no longer apply.

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

The Board is satisfied that Quivin International Limited is able to implement the Offer in full.

Should you accept this recommendation, the procedure for acceptance of the offer is set out in the Take-over Bid Circular and the accompanying FORM OF ACCEPTANCE AND TRANSFER to be found in the Take-over Bid Circular.

### **Documents Available for Inspection**

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

The Jamaica Pegasus Hotel  
First Floor, Marcus Garvey Room  
81 Knutsford Boulevard  
Kingston 5

- a. Articles of Incorporation of Pegasus
- b. Real Estate Valuation report as at March 2011 prepared by Property Consultant Limited, Commercial Real Estate Appraisers and Valuers.

The Directors have approved the contents of this Directors' Circular and authorised its delivery to Pegasus' stockholders.

On behalf of the Board of Directors  
Pegasus Hotels of Jamaica Limited

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CHAIRMAN

**APPENDIX 1**

**FINANCIAL STATEMENTS**

**Audited Financial Statements for the year ended March 31, 2011**





**Pegasus Hotels of Jamaica Limited**

**Financial Statements  
31 March 2011**

# **Pegasus Hotels of Jamaica Limited**

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**31 March 2011**

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## ***Independent Auditors' Report***

To the Members of  
Pegasus Hotels of Jamaica Limited

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pegasus Hotels of Jamaica Limited, set out on pages 1 to 30, 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.

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PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica  
T: (876) 922 6230, F: (876) 922 7581, [www.pwc.com/jm](http://www.pwc.com/jm)



**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.

A handwritten signature in black ink, which appears to read 'PricewaterhouseCoopers'.

Chartered Accountants  
22 July 2011  
Kingston, Jamaica

# Pegasus Hotels of Jamaica Limited

## Statement of Comprehensive Income

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Revenue</b>		989,879	965,977
Direct expenses		(369,105)	(337,938)
<b>Gross Profit</b>		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
<b>Operating (Loss)/Profit</b>		(58,993)	12,296
Finance income	9 (a)	4,036	14,154
Finance costs	9 (b)	(23,615)	(16,679)
<b>(Loss)/Profit before Taxation</b>		(78,572)	9,771
Taxation	10	38,566	(1,495)
<b>Net (Loss)/Profit</b>		(42,006)	8,276
<b>Other Comprehensive Income:</b>			
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)
<b>Other Comprehensive Income, net of taxes</b>		200,430	468,337
<b>Total Comprehensive Income</b>		158,424	476,613
 <b>(Loss)/Earnings Per Stock Unit</b>	11	 (\$0.35)	 \$0.07

# Pegasus Hotels of Jamaica Limited

## Statement of Financial Position

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Non-Current Assets</b>			
Fixed assets	13	5,944,484	5,779,819
Investment securities	14	13,076	90,607
<b>Current Assets</b>			
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
<b>Current Liabilities</b>			
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
<b>Net Current Liabilities</b>		(35,541)	(111,696)
		5,922,019	5,758,730
<b>Stockholders' Equity</b>			
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
<b>Non-Current Liabilities</b>			
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

# Pegasus Hotels of Jamaica Limited

## 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	<u>\$35.50</u>
2011	<u>\$36.81</u>

# Pegasus Hotels of Jamaica Limited

## Statement of Cash Flows

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	2011 \$'000	2010 \$'000
<b>Cash Flows from Operating Activities</b>		
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
	<u>76,032</u>	<u>123,823</u>
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
	<u>48,320</u>	<u>156,210</u>
Taxation paid	(16,035)	(17,969)
Net cash provided by operating activities	<u>32,285</u>	<u>138,241</u>
<b>Cash Flows from Financing Activities</b>		
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	<u>(72,866)</u>	<u>(2,579)</u>
<b>Cash Flows from Investing Activities</b>		
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	<u>76,794</u>	<u>(169,531)</u>
	<u>36,213</u>	<u>(33,869)</u>
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
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 17)</b>	<u>47,197</u>	<u>12,496</u>



# Pegasus Hotels of Jamaica Limited

## 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.

# Pegasus Hotels of Jamaica Limited

## 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.

# Pegasus Hotels of Jamaica Limited

## 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.

# **Pegasus Hotels of Jamaica Limited**

## **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.

# Pegasus Hotels of Jamaica Limited

## 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.

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 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.

# **Pegasus Hotels of Jamaica Limited**

## **Notes to the Financial Statements**

**31 March 2011**

**(expressed in Jamaican dollars unless otherwise indicated)**

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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.

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 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
	<u>161,518</u>	<u>178,859</u>

##### *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
	<u>5,855</u>	<u>2,870</u>

##### *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
	<u>31,354</u>	<u>30,834</u>



# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 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	<u>31,354</u>	<u>30,834</u>

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
	<u>85,602</u>	<u>63,484</u>
Less: Provision for credit losses	<u>(1,624)</u>	<u>(1,104)</u>
	<u>83,978</u>	<u>62,380</u>

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

#### (b) Liquidity risk

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

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 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				Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'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
<b>Total financial liabilities</b>	<b>12,068</b>	<b>101,777</b>	<b>45,573</b>	<b>53,466</b>	<b>212,884</b>

	2010				Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'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
<b>Total financial liabilities</b>	<b>15,313</b>	<b>90,119</b>	<b>55,837</b>	<b>93,437</b>	<b>254,706</b>

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.

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk

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

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### **Interest rate risk**

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

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (d) Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for 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	<u>4,515,223</u>	<u>4,413,763</u>
Gearing ratio	<u>2.02%</u>	<u>3.36%</u>

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.

# **Pegasus Hotels of Jamaica Limited**

## **Notes to the Financial Statements**

**31 March 2011**

**(expressed in Jamaican dollars unless otherwise indicated)**

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

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

#### **Income taxes**

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

On 31 March 2009 the company was granted tax relief on certain taxes and duties for a period of 10 years under The Approved Hotel Extension (Jamaica Pegasus Hotel) Order 2009 (Note 10(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.

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Segment Reporting

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

		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
	<u>10,114</u>	<u>10,943</u>

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 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
	<u>1,058,986</u>	<u>964,624</u>

### 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
	<u>273,124</u>	<u>247,293</u>

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
	<u>261</u>	<u>255</u>



# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Finance Income and Finance Costs

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

### 10. Taxation Expense

- (a) Taxation is based on the profit for the year adjusted for taxation purposes and comprises income tax at 33½%:

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

- (b) The tax on the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33½%, as follows:

	2011 \$'000	2010 \$'000
(Loss)/profit before taxation	<u>(78,572)</u>	<u>9,771</u>
Tax calculated at a tax rate of 33½%	(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)
	<u>(36,566)</u>	<u>1,495</u>

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation Expense (Continued)

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

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

- (i) Waiver of GCT and Customs Duty on 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	<u>(0.35)</u>	<u>0.07</u>

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	<u>-</u>	<u>30,042</u>
	<u>-</u>	<u>42,059</u>

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

**31 March 2011**

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Fixed Assets

	Land \$'000	Buildings \$'000	Fixtures & Furnishings \$'000	Motor Vehicles \$'000	Total \$'000
	<b>2011</b>				
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

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Fixed Assets (Continued)

	Land \$'000	Buildings \$'000	Fixtures & Furnishings \$'000	Motor Vehicles \$'000	Total \$'000
	<b>2010</b>				
Cost or Valuation -					
At 1 April 2009	1,280,000	3,452,000	686,000	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 - \$6,348,000).

### 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

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 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
	<u>49,230</u>	<u>46,699</u>

### 16. Trade and Other Receivables

	2011 \$'000	2010 \$'000
Trade receivables	85,602	63,484
Less: Provision for impairment	<u>(1,624)</u>	<u>(1,104)</u>
	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	<u>(29,730)</u>	<u>(29,730)</u>
	5,959	3,167
	<u>137,095</u>	<u>118,730</u>

### 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)	-	<u>(8,747)</u>
	<u>47,197</u>	<u>12,496</u>

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Borrowings

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

#### (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	<u>(55,239)</u>	<u>(60,427)</u>
	<u>36,095</u>	<u>87,871</u>

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

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

### 19. Trade and Other Payables

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

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 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	<u>120,166</u>	<u>120,166</u>

### 21. Capital Reserves

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

### 22. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33¼%.

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	<u>100,403</u>	<u>266,660</u>
Balance at end of year	<u>1,462,035</u>	<u>1,405,394</u>

# Pegasus Hotels of Jamaica Limited

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 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



# Pegasus Hotels of Jamaica Limited

## 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 \$1,810,420 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
	<u>29,337</u>	<u>29,406</u>
Directors' emoluments –		
Fees	<u>1,100</u>	<u>977</u>

# **Pegasus Hotels of Jamaica Limited**

## **Notes to the Financial Statements**

**31 March 2011**

**(expressed in Jamaican dollars unless otherwise indicated)**

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### **24. Retirement Benefit Plans**

The company operates a defined contribution pension plan which is administered by Sagicoor 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.

**APPENDIX 2**

**FINANCIAL STATEMENTS**

**Unaudited Financial Statements for the 6 months ended September 30, 2011**

# PEGASUS HOTELS OF JAMAICA LIMITED

## Balance Sheet on 30 SEPTEMBER 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 30 Sep 2011 \$'000	Unaudited 30 Sep 2010 \$'000	Audited 31 Mar 2011 \$'000
<b>Non-Current Assets</b>			
Fixed Assets	5,870,095	5,709,480	5,944,484
Investments	13,076	70,151	13,076
<b>Current Assets</b>			
Inventories	53,783	48,942	49,230
Accounts receivable	85,405	89,446	137,085
Cash and short term deposits	0	0	47,197
	139,188	138,388	233,522
<b>Current Liabilities</b>			
Accounts payable	89,230	103,898	191,576
Bank overdraft	51	9,538	0
Taxation payable	16,889	22,363	22,248
Current portion of long term liabilities	55,239	60,427	55,239
	161,409	196,227	269,063
<b>Net Current Assets</b>	(22,221)	(57,839)	(35,541)
	5,860,950	5,721,792	5,922,019
<b>FINANCED BY:</b>			
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	(108,233)	(56,413)	(72,308)
	4,387,964	4,239,354	4,423,889
<b>Long Term Liabilities</b>	10,951	58,350	36,095
Deferred Tax liabilities	1,462,035	1,424,088	1,462,035
	5,860,950	5,721,792	5,922,019

Director

Director

# PEGASUS HOTELS OF JAMAICA LIMITED

## Profit and Loss Account

Period ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 2nd Quarter 30-Sep 2011 \$000	Unaudited 2nd Quarter 30-Sep 2010 \$000	Unaudited 6 months to 30-Sep 2011 \$000	Unaudited 6 months to 30-Sep 2010 \$000	Audited Year 31-Mar 2011 \$000
Revenue	228,265	237,896	477,757	477,627	989,879
Direct expenses	(105,807)	(91,329)	(213,511)	(208,084)	(369,105)
<b>Gross Profit</b>	<b>122,458</b>	<b>146,567</b>	<b>264,246</b>	<b>269,543</b>	<b>620,774</b>
Administration expenses	(79,720)	(62,209)	(161,168)	(152,326)	(329,290)
Other operating expenses	(87,156)	(69,468)	(169,624)	(151,197)	(360,591)
Other operating income	17,504	966	35,692	5,296	10,114
<b>Operating profit</b>	<b>(26,914)</b>	<b>15,856</b>	<b>(30,854)</b>	<b>(28,684)</b>	<b>(58,993)</b>
Interest income	142	3,072	304	2,542	4,036
Interest expenses	(2,465)	(3,567)	(5,375)	(8,852)	(23,615)
<b>Profit / before Taxation</b>	<b>(29,237)</b>	<b>15,361</b>	<b>(35,925)</b>	<b>(34,995)</b>	<b>(78,572)</b>
Taxation	-	(3,948)	-	-	36,566
<b>NET PROFIT</b>	<b>(29,237)</b>	<b>11,413</b>	<b>(35,925)</b>	<b>(34,995)</b>	<b>(42,006)</b>
<b>EARNINGS PER STOCK UNIT</b>	<b>\$ (0.24)</b>	<b>\$ (0.09)</b>	<b>\$ (0.30)</b>	<b>\$ (0.29)</b>	<b>\$ (0.35)</b>

# **PEGASUS HOTELS OF JAMAICA LIMITED**

## **Statement of Changes in Stockholders' Equity**

### **SIX (6) Months ended 30 September, 2011**

(expressed in Jamaican dollars unless otherwise indicated)

#### **Balance as at 1 April 2010**

#### **Profit for the Year**

#### **Other comprehensive income -**

Fair value adjustments, net of taxes:

- Land and buildings

- Financial assets

#### **Total Comprehensive Income**

#### **Dividends paid**

#### **Balance at 31 March 2011**

#### **Loss for 1st quarter 2011/2012**

#### **Other comprehensive income -**

Fair value adjustments, net of taxes:

- Land and buildings

- Financial assets

#### **Total Comprehensive Income for half year 30 September 2011**

#### **Dividends paid**

#### **Balance at 30 September 2011**

#### **Balance at 30 September 2010**

Number of Shares 000	Share Capital \$'000	Capital Reserve \$'000	Replacement Reserve \$'000	Fair Value Reserve	Retained Earnings/Accumulated Losses	Total \$'000
120,166	120,166	4,176,351	-	(750)	(30,302)	4,265,465
					(42,006)	(42,006)
-	-	200,000	-	430	-	200,000
					430	430
-	-	200,000	-	430	(42,006)	158,424
-	-	-	-	-	-	-
-	-	-	-	-	-	-
120,166	120,166	4,376,351	-	(320)	(72,308)	4,423,889
					(35,925)	(35,925)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
120,166	120,166	4,376,351	-	(320)	(108,233)	4,387,964
120,166	120,166	4,176,351	-	(750)	(56,413)	4,239,354

# PEGASUS HOTELS OF JAMAICA LTD

## Statement of Cash Flows

Period ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	6 Months to 30/9/2011 \$000	6 Months to 30/9/2010 \$000	Audited 3/30/2011 \$000
<b>Cash Flow from Operating Activities</b>			
Net Profit	(35,925)	(34,995)	(42,006)
Adjusted for:			
Depreciation	74,389	70,721	140,940
(Gain) /Loss on disposal of fixed assets	-	-	-
Exchange gain on foreign balances	-	-	1,798
Interest income	(304)	(2,542)	(4,036)
Interest expense	5,375	8,852	15,902
Taxation expense	-	-	(36,566)
	43,535	42,037	76,032
Changes in operating assets and liabilities:			
Inventories - (increase)/decrease	(4,553)	(2,243)	(2,531)
Receivables - (increase)/decrease	51,690	29,284	(18,651)
Payables - increase/(decrease)	(102,346)	(66,631)	(6,531)
	(11,674)	2,447	48,320
Taxation paid	(5,359)	(8,724)	(16,035)
Net cash provided by operating activities	(17,033)	(6,277)	32,285
<b>Cash Flows From Financing Activities</b>			
Dividend paid	-	-	-
Long term loan received	-	-	-
Long term loan repaid	(25,144)	(29,521)	(56,965)
Interest paid	(5,375)	(8,852)	(15,902)
Net cash (used in )/provided by financing activities	(30,519)	(38,373)	(72,866)
<b>Cash Flows from Investing Activities</b>			
Interest received	304	2,542	3,951
Investments	-	20,456	78,448
Purchase of fixed assets	-	(380)	(5,605)
Proceeds on disposal of fixed assets	-	-	-
Net cash used in investing activities	304	22,618	76,794
Exchange gain on net foreign cash balances	(47,248)	(22,033)	36,213
Net increase /(decrease) in cash and cash equivalent	-	-	(1,512)
Cash and short term deposits at beginning of year	(47,248)	(22,033)	34,701
Cash and short term deposits at end of year	47,197	12,496	12,496
<b>CASH AND SHORT TERM DEPOSITS AT END OF PERIOD</b>	(51)	(9,537)	47,197
<b>Add Investments</b>	<b>13,076</b>	<b>70,151</b>	<b>13,076</b>
<b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>	<b>13,025</b>	<b>60,614</b>	<b>60,273</b>

## **PEGASUS HOTELS OF JAMAICA LIMITED**

Notes to the Quarterly Financial Statements

30 September 2011

### **1. Identification and Principal Activity**

Pegasus Hotels of Jamaica Limited is a company limited by shares and incorporated under the laws of Jamaica. The company is 62.71 % owned by Quivin Holdings Limited. The company owns and operates the hotel "The Jamaica Pegasus".

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

### **2. Significant Accounting Policies**

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

These financial statements have been prepared using the same accounting policies and methods of computation as compared with the audited financial statements for the year ended March 31, 2011.

The financial statements are prepared using the historical cost basis.

### **3. Other Operating Income**

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

### **4. Hotel Incentives**

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:

- (1) Waiver of GCT and Customs Duty on items as per approved schedule of the Hotel Incentive Act for ten (10) years. There is no waiver on services ; and
- (2) Corporate Tax Relief for ten years arising from profits earned from the hotel's extensions which are subject to the order.



### **APPENDIX 3**

#### **Valuation of Real Estate & Buildings**

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

**Reference No. 11/0013**

<b>INTEREST BEING VALUED</b>	:	<i>The unencumbered freehold estate and interest as at March 31, 2011</i>
<b>TITLE REFERENCES</b>	:	<i>Volume 1062 Folio 690 Volume 1361 Folio 477</i>
<b>OWNERSHIP STATUS</b>	:	<i>Pegasus Hotels of Jamaica Limited.</i>
<b>CATEGORY OF USE</b>	:	<i>Commercial.</i>
<b>PRESENT USE</b>	:	<i>Hotel (Business &amp; Leisure purposes)</i>
<b>TOTAL LAND AREA</b>	:	<i>8.284 Acres (3.355 Hectares)</i>
<b>TOTAL BUILDING AREA</b>	:	<i>Approximately 23,680.3 sq. m. (254,895 sq. ft.)</i>
<b>TOTAL NO. OF ROOMS</b>	:	<i>360 Rooms (Presently 324 offered for Guest Rooms)</i>

**VALUATION AS AT MARCH 31, 2011**

***COST APPROACH : JA\$7,800,000,000.00***

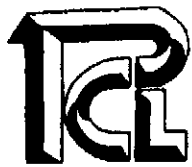
***INCOME APPROACH : JA\$4,415,300,000.00***

***DIRECT SALES COMPARISON APPROACH: JA\$5,640,000,000.00***

***OPEN MARKET VALUE : JA\$5,640,000,000.00***

***FORCED SALE VALUE : JA\$4,512,000,000.00***

***REPLACEMENT COST OF BUILDINGS : JA\$6,600,000,000.00***



# Property Consultants Limited

12 Trinidad Terrace, Kingston 5, Jamaica, Tel: (876) 929-5462, 929-6062, 929-7112, 929-8384, Fax: (876) 929-7139, Email: pcjja@yahoo.com

"Jamaica's Business Real Estate Company"

2011 November 21,

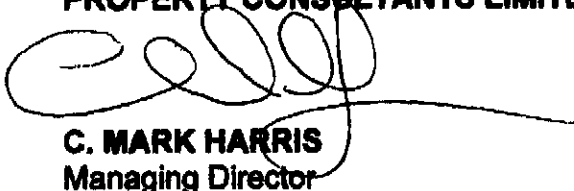
**The Board of Directors  
Pegasus Hotels of Jamaica Limited  
81 Knutsford Boulevard  
Kingston 5**

Dear Sirs:

**Re: Letter of Consent**

With specific reference to the issuance by Pegasus Hotels of Jamaica Limited (PHJL) of a Directors' Circular in response to the Offer to acquire 100% of the issued share capital of the Company by Quivin International Limited, we hereby give our formal consent to the inclusion of our valuation report of the Real Estate as at March 31, 2011 in the Directors' Circular.

Sincerely,  
**PROPERTY CONSULTANTS LIMITED**

  
**C. MARK HARRIS**  
Managing Director



• Commercial Real Estate Brokers • Commercial Property Managers • Construction Management • Property Consultants • Valuations • Space Brokers

**DIRECTORS:** C. Mark Harris B.A., J.P., C.C.R.A. (Managing); Paul S. Banks, A.C.I.I.; Geoffrey B. Haddad, M. Eng.;  
Adam M. Harris, M.B.A.; Marguerite Harris, B.Sc. (Hons.) Secretary.