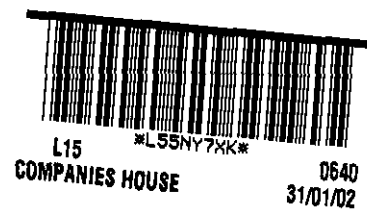


ST. JAMES BEACH HOTELS PLC
Company Registration Number - 2738769

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2001



ST. JAMES BEACH HOTELS PLC

Corporate Information

Year ended March 31, 2001

Directors

Tom Quinn (Non-executive Director)

Ann Adenius

Anthony Sloan (resigned September 25, 2001)

Secretary

Sharon Phillips (appointed September 25, 2001)

Anthony Sloan (resigned September 25, 2001)

Principal Bankers

Bank of Nova Scotia

Barclays Bank Plc

Lawyers

R.G. Mandeville & Co.

Leroy Inniss Q.C.

C. Anthony Audain

S.J. Berwin

Registered Office

6 St Andrews Street

London, EC4A 3LX

Auditors

Ernst & Young

ST. JAMES BEACH HOTELS PLC

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Year ended March 31, 2001

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ST. JAMES BEACH HOTELS PLC

Directors' Report for the year ending March 31, 2001

Results and Dividend:

No dividend is recommended to be paid.

Principal Activity:

The principal activity of the company is the ownership and operation of the Crystal Cove, Coconut Creek, Tamarind Cove and Colony Club hotels in Barbados.

Review of the Business:

Turnover for the year amounted to £17.517 million (up from 2000 £15.162 million), with a profit on ordinary activities before taxation and dividends being £0.192 million (up from a 2000 loss of £1.739 million).

Elegant Hotels Limited is the parent company of St. James Beach Hotels Plc.

At year-end, Elegant Hotels Limited ("EHL") was a Bahamian registered Company in which CS Structured Credit Fund Limited owns more than 90 percent of the issued share capital.

Future Developments:

The luxury tropical lodging industry is highly competitive, and the demands and expectations of the guests in that market segment are constantly evolving. We are in the process of implementing a comprehensive long-range strategy for improvements to the hotel product and to the sales and marketing effort. The preliminary feedback from the Tour Operators and the guests to the product and to its sales & marketing strategy has been very positive

Annual General Meeting:

The notice of the Annual General Meeting to be held is attached hereto.

Directors:

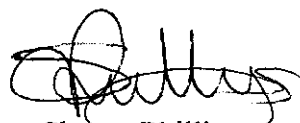
At year end, Ann Adenius, Anthony Sloan, and Tom Quinn were Directors. Anthony Sloan resigned as a director on September 25, 2001. No other changes have taken place with respect to the Board of Directors as of the date of this report.

There were no Directors' interests requiring disclosure under the Companies Act 1985.

Auditors:

Ernst & Young have indicated their willingness to continue in office as auditors and in accordance with Section 384 of the Companies Act 1985, a resolution proposing their appointment will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



Sharon Phillips
Secretary

January 31, 2002

ST. JAMES BEACH HOTELS PLC

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Elegant Hotels Limited, IDB House, First Floor, East Bay Street, Nassau, Bahamas, January 30th, 2002.

Ordinary Business:

1. To receive and adopt the Directors' Report and the accounts for the financial year ended March 31, 2001.
2. To re-appoint Ernst & Young as auditors to hold office until conclusion of the next Annual General Meeting.
3. To authorise the Directors to fix the remuneration of the auditors.
4. To re-elect any Director as so required under the provisions of Article 93.

Special Business:

1. Any other business.

BY ORDER OF THE BOARD



Sharon Phillips
Secretary

January ,2002

ST. JAMES BEACH HOTELS PLC

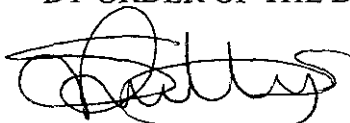
Statement of Directors' Responsibilities Year ended March 31, 2001

The directors are required by Company Law to prepare financial statements which give a true and fair view of the state of affairs of the Company and Group as at the end of each financial year and of the profit or loss of the Group for that year. In preparing these accounts the directors are required to:-

- select suitable accounting policies and then apply them consistently.
- make judgments and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD



Sharon Phillips
Secretary

January 31, 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ST. JAMES BEACH HOTELS PLC

We have audited the company and group's financial statements for the year ended 31 March 2001 which comprise the Consolidated Profit and Loss Account, Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company and group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance United kingdom with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because the company has not carried out an impairment review on its freehold buildings with a carrying value of £58,009,000 which is required annually by FRS15 - Tangible Fixed Assets where tangible fixed assets are not depreciated. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ST. JAMES BEACH
HOTELS PLC (Continued)**

Opinion

The group does not provide for depreciation on its freehold buildings on the basis that any depreciation charged would be immaterial. However, it has failed to carry out the impairment review, required annually by FRS 15 - Tangible Fixed Assets, where no depreciation is charged.

Except for the effect of any impairment which may have been required had an impairment review been carried out, in our opinion the financial statements give a true and fair view of the state of affairs of the company and group as at March 31, 2001 and of the group's profit and cash flows for the year to that date and have been properly prepared in accordance with the Companies Act 1985 of the United Kingdom.

Ernst & Young

CHARTERED ACCOUNTANTS
Registered Auditor

January 31, 2002
Barbados


ST. JAMES BEACH HOTELS PLC

Balance Sheet As of March 31, 2001

	Notes	Group 2001 (£ 000's)	Company 2001 (£ 000's)	Group 2000 (£ 000's)	Company 2000 (£ 000's)
Fixed assets					
Tangible assets	6	61,541	-	54,889	-
Investments	7	17	15,742	15	15,742
		61,558	15,742	54,904	15,742
Current assets					
Stocks	5	1,075	-	865	-
Debtors	3	31,170	-	27,396	-
Cash at bank and in hand		479	-	5,281	-
		32,724	-	33,542	-
Creditors: amounts falling due within one year					
Bank and other borrowings	9	(1,956)	-	(1,403)	-
Creditors	8	(36,204)	(1,243)	(36,431)	(1,181)
		(38,160)	(1,243)	(37,834)	(1,181)
Net current liabilities		(5,436)	(1,243)	(4,292)	(1,181)
Total assets less current liabilities		56,122	14,499	50,612	14,561
Creditors: amounts falling due after more than one year	10	(13,517)	-	(13,231)	-
Provision for liabilities and charges	11	(1,203)	-	(957)	-
Net assets		41,402	14,499	36,424	14,561
Capital and reserves					
Called up share capital	12	5,907	5,907	5,907	5,907
Share premium account		8,918	8,918	8,918	8,918
Merger reserve	13	(1,906)	-	(1,906)	-
Revaluation reserve	14	20,984	-	18,606	-
Capital redemption reserve	15	3,000	3,000	3,000	3,000
Profit and loss account	16	4,499	(3,326)	1,899	(3,264)
Equity Shareholder's funds	17	41,402	14,499	36,424	14,561

The accompanying notes are an integral part of this Company's and Group's balance sheets.

The accounts were approved by the Board of directors on January 29, 2002 and signed on their behalf by:

.....Director

ST. JAMES BEACH HOTELS PLC

Consolidated Profit and Loss Account Year ended March 31, 2001

	Notes	2001 (£ 000's)	2000 (£ 000's)
Turnover		17,517	15,162
Cost of sales		(7,220)	(7,085)
Gross Profit		10,297	8,077
Administration costs		(9,080)	(9,175)
Other operating income		741	613
Operating profit (loss)		1,958	(485)
Interest payable and similar charges	22	(1,766)	(1,254)
Profit (loss) on ordinary activities before taxation		192	(1,739)
Taxation	19	-	-
Profit (loss) on ordinary activities after taxation		192	(1,739)

All of the groups activities are continuing.

There are no material differences between the results disclosed above and the results given on an unmodified historical cost basis.

The accompanying notes are an integral part of this Groups Profit and Loss Account.

Consolidated Statement of Total Recognised Gains and Losses Year ended March 31, 2001

	2001 (£ 000's)	2000 (£ 000's)
Profit (loss) on ordinary activities after taxation	192	(1,739)
Exchange adjustments	4,786	(112)
Total recognised gains (losses) since last report	4,978	(1,851)

The accompanying notes are an integral part of this Groups Statement of Total Recognised Gains and Losses.

ST. JAMES BEACH HOTELS PLC

Consolidated Statement of Cash Flows
Year ended March 31, 2001

	2001 (£ 000's)	2000 (£ 000's)
Net cash (outflow) inflow from operating activities (Note 20)	(796)	12,378
Returns on investments and servicing of finance		
Interest paid	(1,766)	(1,254)
Net cash outflow from returns on investments and servicing of finance	(1,766)	(1,254)
Capital expenditure		
Purchase of tangible fixed assets	(604)	(913)
Net cash outflow from capital expenditure	(604)	(913)
Net cash (outflow) inflow before financing and investing	(3,166)	10,211
Financing		
Proceeds of external borrowings	-	7,396
Repayment of external borrowings	(1,402)	(8,910)
Net cash outflow from financing	(1,402)	(1,514)
Investing		
Purchase of investment	-	(15)
Net cash outflow from investing	-	(15)
(Decrease) increase in cash (Note 20)	(4,568)	8,682

The accompanying notes are an integral part of this Groups Cash Flow Statement.

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

1. Incorporation and Ownership

The company was incorporated in the United Kingdom. The company is a wholly-owned subsidiary of Elegant Hotels Limited, a company incorporated in the Bahamas, whose registered office is situated at IDB House, East Bay Street, Nassau. Elegant Hotels Limited is the immediate parent company and it has included the company in its group accounts. CS Structured Credit Fund Limited, which is incorporated in the Cayman Islands, is the controlling party.

2. Accounting Policies

The financial statements are presented in accordance with applicable UK accounting standards and under the historical cost convention as modified by the revaluation of freehold land and buildings and in accordance with the Companies Act 1985. The principal accounting policies which have been applied throughout the year are:

[a] Basis of accounting

The financial statements incorporate the results of operations, financial position and cash flow of St. James Beach Hotels PLC consolidated with its subsidiary undertakings. The assets and liabilities of subsidiary undertakings acquired are incorporated at their fair value at the date of acquisition. The Group profit after taxation includes only that portion of the results of subsidiary undertakings arising since the effective date of control, or in the case of undertakings disposed of, for the period of ownership. Balances and transactions between the Group's subsidiary undertakings, as well as intercompany profits and dividends, are eliminated upon consolidation.

[b] Goodwill

The Company has adopted the transitional provisions under FRS 10 not to reinstate goodwill arising on consolidation previously written off to reserves. Goodwill arising on acquisitions subsequent to March 31, 1999 will be capitalised and amortised over its useful economic life, up to a presumed maximum of 20 years. No such goodwill has arisen in the year.

[c] Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into pounds sterling using the closing rate method. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Assets and liabilities of foreign subsidiary undertakings are translated into pounds sterling at rates of exchange at the date of the balance sheet and the results of the foreign subsidiary undertakings are translated at the average rate of exchange for the year. Exchange differences arising on translation of the net investment in overseas subsidiaries are treated as movements on reserves.

The Barbados Dollar equivalents to £1 used in the translation were:

	Year ended Year ended 2001	Year ended 31 March 2000
Average rate	2.95	3.19
Closing rate	2.82	3.18

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

2. Accounting policies (cont'd)

[d] Tangible fixed assets

The Group's properties are periodically revalued and the resultant value is included in the balance sheet. The difference between the valuation and historic cost is recorded in revaluation reserve on a property by property basis. Any impairment in the value of a property is charged to the profit and loss account after making the appropriate adjustment to revaluation reserve.

The Group has adopted the transitional provisions under FRS 15 to retain the book amounts of the properties. Accordingly the properties have not been revalued in the current financial year. The date and amount of the last valuation are shown in note 6 to the financial statements.

[e] Depreciation

No depreciation is provided on freehold properties or on integral fixed plant.

It is the Group's practice to maintain these assets in a continual state of sound repair and to expand or make improvements thereto from time to time and accordingly the Directors consider that the lives of these assets are so long, and residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are so high that their depreciation is insignificant.

Computer equipment is depreciated at 20% on a straight line basis.

Depreciation of other tangible assets is calculated to write off the cost of fixed assets over their estimated useful lives as follows:

Furniture and equipment	20%	-	reducing balance
Motor vehicles	20%	-	reducing balance
Improvements	10%	-	reducing balance

[f] Inventory

Stocks are stated at the lower of cost and net realisable value determined on a first-in, first-out basis. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow moving or defective items where apparent.

[g] Operating leases

Rentals on such leases are charged to the profit and loss account as incurred.

[h] Deferred taxation

Provision is made under the liability method for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as

stated in the accounts to the extent that a liability or asset is expected to be realised in the foreseeable future.

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

2. Accounting policies (cont'd)

[i] Turnover

Turnover represents amounts receivable for goods sold and services provided, excluding intra group sales, sales taxes and service charge.

3. Debtors

	Group 2001 (£ 000's)	Company 2001 (£ 000's)	Group 2000 (£ 000's)	Company 2000 (£ 000's)
Trade debtors	731	-	560	-
Prepayments	193	-	79	-
Due from group undertakings (Note 4)	30,246	-	26,757	-
	31,170	-	27,396	-

4. Related Party Balances and Transactions

Amounts receivable from and payable to related companies are unsecured, interest-free and have no fixed terms of repayment. Certain companies in the Group provide management services on behalf of related parties. Related party transactions also arise from exchange dining services and transfers of guests between properties. The related party balances and transactions are with fellow subsidiaries of Elegant Hotels Limited. The company has taken advantage of the exemption in FRS 8 from disclosing transactions with other group undertakings.

5. Stocks

	2001 (£ 000's)	2000 (£ 000's)
Raw materials and consumables	118	116
Goods for resale	127	118
Linen, cutlery and glassware	830	631
	1,075	865

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

6. Tangible Fixed Assets

	Freehold land and buildings at valuation (£000's)	Furniture and equipment at cost (£000's)	Motor vehicles at cost (£000's)	Total (£000's)
Cost/Valuation				
At April 1, 2000	51,336	7,458	173	58,967
Exchange adjustments	6,560	953	22	7,535
Additions	113	491	-	604
Disposals	-	(1)	-	(1)
At March 31, 2001	58,009	8,901	195	67,105
Accumulated depreciation				
At April 1, 2000	-	3,999	79	4,078
Exchange adjustments	-	511	10	521
Provision for the year	-	944	21	965
At March 31, 2001	-	5,454	110	5,564
Net book value				
At April 1, 2000	51,336	3,459	94	54,889
At March 31, 2001	58,009	3,447	85	61,541
Analysis of cost or valuation				
Year of valuation				
1995	680	-	-	680
1997	49,087	-	-	49,087
1999	7,924	-	-	7,924
Assets held at valuation	57,691	-	-	57,691
Assets held at cost	318	8,901	195	9,414
	58,009	8,901	195	67,105

Certain of the Group's properties were revalued at March 1995, March 1997 and March 1999 at professional independent valuations by Alleyne Aguilar & Altman Ltd., real estate agents, Barbados. The properties were valued as fully-equipped operational entities having regard to their trading potential.

The historical cost equivalent of fixed assets carried at revalued amounts, after adjusting for exchange differences, is £35,435,574 (2000 - £31,424,000).

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

7. Investments

Company

Investments consist of investments in shares of Group undertakings of £3,439,065 (2000-£3,439,065) and loans to Group undertakings of £12,302,731 (2000- £12,302,731). No provision has been made against any of these investments.

Group

A Group undertaking owns 48,000 (2000-48,000) Class B Ordinary Shares in the Southern Golf & Country Club Limited. The shares are shown at cost.

8. Creditors: Amounts falling due within one year

	Group 2001 (£ 000's)	Company 2001 (£ 000's)	Group 2000 (£ 000's)	Company 2000 (£ 000's)
Trade creditors	960	-	962	-
Advance deposits	245	-	340	-
Advance corporation tax	159	159	159	159
Due to group undertakings (note 4)	34,119	1,019	34,298	937
Accruals & deferred income	730	64	634	85
Taxation & social security	(21)	-	15	-
Other creditors	12	-	23	-
	36,204	1,242	36,431	1,181

9. Bank And Other Borrowings

	2001 (£ 000's)	2000 (£ 000's)
Bank overdrafts	544	151
Current portion of long-term loans	1,412	1,252
	1,956	1,403

The bank overdrafts are secured by registered equitable mortgages and first legal mortgages over the properties of the respective Group companies and are repayable on demand. Details of the terms, status and conditions relating to long-term loans are set out in Note 10.

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

10. Creditors: Amounts falling due after more than one year

	2001 (£ 000's)	2000 (£ 000's)
Secured bank loans		
The Bank of Nova Scotia	14,929	14,483
Less current portion	(1,412)	(1,252)
	<u>13,517</u>	<u>13,231</u>
	2001 (£ 000's)	2000 (£ 000's)
Repayment analysis		
- In one year or less, or on demand	1,412	1,252
- In more than one year but not more than two	1,412	1,252
- In more than two years but not more than five	12,105	11,978
	<u>14,929</u>	<u>14,482</u>

The loans from the Bank of Nova Scotia are secured by mortgages over the properties of the Group and debentures creating a first floating charge over the assets of certain subsidiaries. The loans are repayable in US dollars and interest is being charged at LIBOR plus 1.5 - 2 %.

11. Provisions for liabilities and charges

	2001 (£ 000's)	2000 (£ 000's)
At beginning of the year	957	845
Foreign exchange adjustment	128	3
Provision for tax and social security (note 25)	118	109
	<u>1,203</u>	<u>957</u>

The provision relates to amounts in respect of a potential Value Added Taxation liability as disclosed in note 25.

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

12. Share Capital

Authorised

The company is authorised to issue 30,200,000 Ordinary shares of 25p each and 3,000,000 8.25% Preference shares of £1.00 each.

Issued and fully paid

	Group and Company		Group and Company	
	2001	2000	2001	2000
	Number of	Number of	(£ 000's)	(£ 000's)
	shares	shares		
Ordinary shares of 25p	23,631,294	23,631,294	5,907	5,907
			<u>5,907</u>	<u>5,907</u>

13. Merger Reserve

	2001	2000
	(£ 000's)	(£ 000's)
At beginning and end of the year	(1,906)	(1,906)

14. Revaluation Reserve

	2001	2000
	(£ 000's)	(£ 000's)
At beginning of the year	18,606	18,547
Exchange adjustments	2,378	59
At end of the year	<u>20,984</u>	<u>18,606</u>

15. Capital Redemption Reserve

	Group and Company	
	2001	2000
	(£ 000's)	(£ 000's)
Preference shares redeemed	<u>3,000</u>	<u>3,000</u>

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

16. Profit and Loss Account

	Group 2001 (£ 000's)	Company 2001 (£ 000's)	Group 2000 (£ 000's)	Company 2000 (£ 000's)
At beginning of the year-	1,899	(3,264)	3,809	(3,209)
Retained profit (loss) for the year	192	(62)	(1,739)	(55)
Exchange adjustments	2,408	-	(171)	-
At end of the year	4,499	(3,326)	1,899	(3,264)

Goodwill cumulatively written off to reserves up to March 31, 2001 was £656,122 (2000 - £656,122).

17. Reconciliation of Movement in Equity Shareholder's Funds

	Group 2001 (£ 000's)	Company 2001 (£ 000's)	Group 2000 (£ 000's)	Company 2000 (£ 000's)
At beginning of the year	36,424	14,561	38,275	14,616
Total recognised gains and losses for the year	4,978	(62)	(1,851)	(55)
At end of the year	41,402	14,499	36,424	14,561

18. Profit and Loss Account of the Company

	2001 (£ 000's)	2000 (£ 000's)
Parent company	(62)	(55)
Subsidiaries	254	(1,684)
	192	(1,739)

As permitted by Section 230(4) of the Companies Act 1985, the profit and loss account of the Company has not been separately presented in these accounts

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

19. Taxation

The Hotel Aids Act, Chapter 72 of the Laws of Barbados, allows certain capital expenditure to be set off against profits in determining taxable income. Such expenditure may be carried forward for nine succeeding years. Trading losses can also be carried forward for nine years and are applied against income before set-off of qualifying Hotel Aids capital expenditure.

Taxation losses carried forward at the end of March 31, 2001 amounted to £3,316,332 (2000 - £3,710,991) and expire between 2002 and 2010 income years. Unrelieved Hotel Aids capital expenditure in total amounted to £10,089,522 (2000 - £10,828,418) and expires between the 2002 and 2010 income years of the companies in which the expenditure incurred.

There has been no taxation charge in respect of the reporting periods and no provision has been made for deferred taxation since the Directors are of the view that tax deferred by the effect of timing differences is unlikely to be realised in the foreseeable future. The deferred tax asset arising from tax losses, unrelieved Hotel Aids capital expenditure and from capital allowances not yet claimed amounted to £7,189,305 (2000 - £6,727,202).

20. Notes to the Consolidated Cash Flow Statement

Reconciliation of operating profit to net cash flow from operating activities

	2001 (£ 000's)	2000 (£ 000's)
Operating profit (loss)	1,958	(485)
Loss on disposal of assets	1	-
Depreciation charge	965	803
Increase in stock	(100)	(47)
(Increase) decrease in debtors	(203)	1,409
Increase in amounts due (from) to related companies	(4,630)	11,188
Decrease in creditors	(141)	(588)
Increase in provisions for liabilities and charges	124	109
Exchange adjustments	1,230	(11)
Net cash (outflow) inflow from operating activities	(796)	12,378

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

20. Notes to the Consolidated Cash Flow Statement (cont'd)

Analysis of changes in cash

	2001 (£ 000's)	2000 (£ 000's)
At beginning of the year	5,130	(3,491)
Net cash flow	(4,568)	8,682
Exchange adjustments	(627)	(61)
At end of the year	(65)	5,130
Analysed as follows:		
Cash at bank and in hand	479	5,281
Bank overdrafts	(544)	(151)
	(65)	5,130

External borrowings

	2001 (£ 000's)	2000 (£ 000's)
At beginning of the year	14,483	15,947
Increase in loans	-	7,396
Repayment of loans	(1,402)	(8,910)
Exchange adjustments	1,848	50
At end of the year	14,929	14,483

ST. JAMES BEACH HOTELS PLC

Notes to the Consolidated Financial Statements
Year ended March 31, 2001

21. Operating Profit (Loss)

Operating profit (loss) is stated after charging:

	2001 (£ 000's)	2000 (£ 000's)
Depreciation	965	803
Exceptional item (note 25)	118	109
Staff costs	6,367	5,949
Auditors' remuneration	61	81
Staff costs comprise		
Wages and salaries	5,805	5,420
Social security costs	562	529
	<u>6,367</u>	<u>5,949</u>
	Number	Number
Average number of staff during the year was	<u>776</u>	<u>854</u>
	£ 000's	£ 000's
Highest paid director	<u>108</u>	<u>100</u>

The directors of the company are also directors of the holding company and fellow subsidiaries. The directors received remuneration of £162,059 (2000 - £319,037), of which £15,640 (2000 - £304,037) was paid by the ultimate parent company, £ Nil (2000 - £15,000) was paid by the company and £146,419 (2000-£Nil) by a fellow subsidiary of the holding company. Included within the total was Nil (2000 - £80,704) paid as compensation for loss of office. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors to the holding company and fellow subsidiaries.

22. Interest payable and similar charges

	2001 (£ 000's)	2000 (£ 000's)
Bank overdrafts and loans	1,766	1,254
	<u>1,766</u>	<u>1,254</u>

23. Segmental Analysis

The turnover and loss on ordinary activities before taxation is wholly attributable to the principal activity of the Group, being the operation of hotels. Turnover arises and net assets are located wholly within the Caribbean. Turnover arises from continuing activities.

ST. JAMES BEACH HOTELS PLC

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24. Subsidiary Undertakings

The following subsidiaries have been consolidated with St. James Beach Hotels PLC.

<u>Name of company</u>	<u>Nature of business</u>
Elegant Hotels (Barbados) Limited	Holding company
Elegant Hotels (St. Lucia) Limited	Holding company (dormant)
Coconut Creek Hotel Limited	Hotel owner and operator
Colony Club (Barbados) Limited	Hotel owner and operator
Crystal Cove Hotel Limited	Hotel owner and operator
Tamarind Cove Hotel Company Limited	Hotel owner and operator
Tropical Dreams (Barbados) Limited	Hotel owner (dormant)
Elegant Hotels Services Limited	Provision of administrative services to other group companies
Elegant Hotels International Marketing Limited	Provision of marketing services to other group companies
Mountain Peak Corporation	Property company
St. James Beach Hotels (Grenada) Limited	Dormant company
Windward Investments Limited	Property company
Paynes Bay Investments Limited	Land owner (non-trading)

All of the above subsidiaries were incorporated and operate in Barbados except for Elegant Hotels (St. Lucia) Limited, St. James Beach Hotels (Grenada) Limited and Elegant Hotels International Marketing Limited, which were incorporated and operate in St. Lucia, Grenada and Anguilla respectively. All of the subsidiaries are 100% owned by St. James Beach Hotels PLC. Following the end of the financial year St. James Beach Hotels (Grenada) Limited was put into voluntary liquidation.

25. Exceptional Item

The Group was assessed by the Customs and Excise Department, Value Added Tax Division. The proposed assessment for the period January 1, 1997 to May 31, 1999 resulted in a suggested revision in the apportionment of revenue used for the computation of Value Added Tax liability for each period, but this is being disputed by the Group.

As a result of this, and other matters in dispute, the group has provided for £1,202,934 (2000 - £957,253) as an estimated liability contingent on the outcome of the Group's objection. Included within selling, general and administration and other costs is £118,075, representing additional interest for the period. A further amount of £2,191,969 (2000 - £1,549,825) is in dispute, however, given the uncertainty of this amount it has not been accrued for. Both amounts include penalty and interest charges.

26. Contingent Liabilities

A number of lawsuits have been filed in the High Court against the Group. The Group has provided for claims totaling £27,482 (2000 - £128,745) in these financial statements. It is not possible to determine the amounts or outcome of other claims filed, at this stage, and

accordingly the Group has not provided for their costs in these consolidated financial statements.