

ST. JAMES BEACH HOTELS LIMITED

Company Registration Number - 2738769

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2002



ST. JAMES BEACH HOTELS LIMITED

Corporate Information
Year ended March 31, 2002

Directors

Tom Quinn (Non-executive Director)
Kenneth Kerr (appointed August 1, 2002)
Sharon Phillips (appointed September 25, 2001, resigned February 26, 2003)
Ann Adenius (resigned May 22, 2002)
Anthony Sloan (resigned September 25, 2001)

Secretary

Kenneth Kerr (appointed February 26, 2003)
Sharon Phillips (appointed September 25, 2001, resigned February 26, 2003)
Anthony Sloan (resigned September 25, 2001)

Principal Bankers

Bank of Nova Scotia
Barclays Bank Plc

Lawyers

R.G. Mandeville & Co.
Inniss & Co. Associates
C. Anthony Audain
S.J. Berwin

Registered Office

6, St. Andrew Street
London, EC4 3LX

Auditors

Ernst & Young

ST. JAMES BEACH HOTELS LIMITED

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ST. JAMES BEACH HOTELS LIMITED

Directors' Report for the year ending March 31, 2002

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. On March 6, 2002 the company re-registered from a public limited company to a private limited company.

Review of the Business:

Turnover for the year amounted to £14.374 million (down from 2001 £17.517 million), with a loss on ordinary activities before taxation of £1.978 million (down from a 2001 profit of £0.192 million). No dividend is recommended to be paid.

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.

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

Future Developments:

The luxury tropical lodging industry continues to be highly competitive, the demands and expectations of the guests in this market are constantly evolving. We continue to implement a long-range strategy of improvement to the hotel product and to the sales and marketing effort. The feedback from tour operators and guests support our efforts.

Annual General Meeting:

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

Directors:

At year end, Ann Adenius, Sharon Phillips, and Tom Quinn were Directors. Anthony Sloan and Ann Adenius resigned as directors on September 25, 2001 and May 22, 2002 respectively. Sharon Phillips and Kenneth Kerr were appointed as directors on September 25, 2001 and August 1, 2002 respectively. Sharon Phillips resigned on February 26, 2003. 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.

Independent 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

Kenneth Kerr
Secretary

May 5, 2003

ST. JAMES BEACH HOTELS LIMITED

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 (UK) Limited, St. George Street, London, W1S 2FJ, England, on May 5, 2003.

Ordinary Business:

1. To receive and adopt the Directors' Report and the accounts for the financial year ended March 31, 2002.
2. To re-appoint Ernst & Young as independent auditors to hold office until conclusion of the next Annual General Meeting.
3. To authorise the Directors to fix the remuneration of the independent 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

Kenneth Kerr
Secretary

May 5, 2003

ST. JAMES BEACH HOTELS LIMITED

Statement of Directors' Responsibilities Year ended March 31, 2002

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

Kenneth Kerr
Secretary

May 5, 2003



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

We have audited the company and group's financial statements for the year ended 31 March 2002, which comprise the Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of Historical Losses and Profits, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Statement of Cash Flows, Reconciliation of Shareholders' Funds and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 company and group are 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 audit opinion

We conducted our audit in accordance with United Kingdom 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.

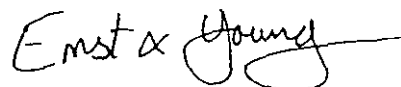
**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ST. JAMES BEACH
HOTELS LIMITED (Continued)****Basis of audit opinion (Continued)**

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 group has not carried out an impairment review on its freehold buildings with a carrying value of £57,658,000 (2001: £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.

Qualified opinion arising from disagreement over accounting treatment

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 of the group as at March 31, 2002 and of the group's loss for the year to that date and have been properly prepared in accordance with the Companies Act 1985 of the United Kingdom.



CHARTERED ACCOUNTANTS
Registered Auditor

May 6, 2003
Barbados

ST. JAMES BEACH HOTELS LIMITED

Balance Sheet
As of March 31, 2002

	Notes	Group 2002 (£ 000's)	Company 2002 (£ 000's)	Group 2001 (£ 000's)	Company 2001 (£ 000's)
Fixed assets					
Tangible assets	6	60,914	-	61,541	-
Investments	7	17	15,742	17	15,742
		60,931	15,742	61,558	15,742
Current assets					
Stocks	5	1,165	-	1,075	-
Debtors	3	55,453	-	31,170	-
Cash at bank and in hand		166	-	479	-
		56,784	-	32,724	-
Creditors: amounts falling due within one year					
Bank and other borrowings	9	(2,643)	-	(1,956)	-
Other	8	(62,666)	(1,292)	(36,204)	(1,243)
		(65,309)	(1,292)	(38,160)	(1,243)
Net current liabilities		(8,525)	(1,292)	(5,436)	(1,243)
Total assets less current liabilities		52,406	14,450	56,122	14,499
Creditors: amounts falling due after more than one year	10	(12,037)	-	(13,517)	-
Provision for liabilities and charges	11	(1,317)	-	(1,203)	-
Net assets		39,052	14,450	41,402	14,499
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	20,483	-	20,984	-
Capital redemption reserve	15	3,000	3,000	3,000	3,000
Profit and loss account	16	2,650	(3,375)	4,499	(3,326)
Equity Shareholder's funds	17	39,052	14,450	41,402	14,499

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 May 5, 2003 and signed on their behalf by:

.....Director

ST. JAMES BEACH HOTELS LIMITED

Consolidated Profit and Loss Account
Year ended March 31, 2002

	Notes	2002 (£ 000's)	2001 (£ 000's)
Turnover		14,374	17,517
Cost of sales		(7,108)	(7,220)
Gross Profit		7,266	10,297
Administrative costs		(8,332)	(9,079)
Other operating income		743	741
Operating (loss) profit		(323)	1,959
Loss on disposal of fixed assets		(495)	(1)
Interest payable and similar charges	22	(818) (1,160)	1,958 (1,766)
(Loss) profit on ordinary activities before taxation		(1,978)	192
Taxation	19	-	-
(Loss) profit on ordinary activities after taxation		(1,978)	192

All of the groups activities are continuing.

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

ST. JAMES BEACH HOTELS LIMITED

Consolidated Statement of Cash Flows
Year ended March 31, 2002

	2002 (£ 000's)	2001 (£ 000's)
Net cash inflow (outflow) from operating activities (Note 20)	2,708	(796)
Returns on investments and servicing of finance		
Interest paid	(1,160)	(1,766)
Net cash outflow from returns on investments and servicing of finance	(1,160)	(1,766)
Capital expenditure		
Purchase of tangible fixed assets	(2,042)	(604)
Proceeds from disposal of fixed assets	868	-
Net cash outflow from capital expenditure	(1,174)	(604)
Net cash inflow (outflow) before financing	374	(3,166)
Financing		
Repayment of external borrowings	(1,387)	(1,402)
Net cash outflow from financing	(1,387)	(1,402)
Decrease in cash (Note 20)	(1,013)	(4,568)

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

ST. JAMES BEACH HOTELS LIMITED

Consolidated Statement of Historical Losses and Profits Year ended March 31, 2002

	2002 (£ 000's)	2001 (£ 000's)
(Loss) profit on ordinary activities before taxation	(1,978)	192
Realisation of revaluation gains of previous years	365	-
Historical cost (loss) profit on ordinary activities before taxation	(1,613)	192
Historical cost (loss) profit transferred to retained earnings	(1,613)	192

The accompanying notes are an integral part of this Groups Statement of Historical Profit and Losses.

Consolidated Statement of Total Recognised Gains and Losses Year ended March 31, 2002

	2002 (£ 000's)	2001 (£ 000's)
(Loss) profit on ordinary activities before taxation	(1,978)	192
Exchange adjustments	(372)	4,786
Total recognised (losses) gains for the year	(2,350)	4,978

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

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

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 ultimate controlling party.

2. Accounting Policies

The financial statements are presented in accordance with applicable United Kingdom 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 that 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 Limited 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 loss 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.

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

2. Accounting policies (cont'd)

[c] Foreign Currencies (cont'd)

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

	Year ended Year ended 2002	Year ended 31 March 2001
Average rate	2.85	2.95
Closing rate	2.84	2.82

[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 the 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 useful economic lives of these assets are of such a length, and residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that they are not materially different from the carrying amount and any depreciation would not be material.

Fixtures and fittings, which are classified within freehold land and buildings, are depreciated on a straight-line basis at rates varying between 5% and 20% per annum. 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

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

2. Accounting policies (cont'd)

[f] Stocks

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

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

[h] Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

[i] Turnover

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

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

3. Debtors

	Group 2002 (£ 000's)	Company 2002 (£ 000's)	Group 2001 (£ 000's)	Company 2001 (£ 000's)
Trade debtors	1,642	-	731	-
Prepayments	103	-	193	-
Due from group undertakings (Note 4)	53,708	-	30,246	-
	55,453	-	31,170	-

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. Turnover derives mainly from the sale of hotel rooms to Elegant Hotels Limited. 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

	2002 (£ 000's)	2001 (£ 000's)
Raw materials and consumables	108	118
Goods for resale	147	127
Linen, cutlery and glassware	910	830
	1,165	1,075

There were no significant differences between the replacement cost and the values disclosed for stock.

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

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, 2001	58,009	8,901	195	67,105
Exchange adjustments	(374)	(57)	(1)	(432)
Additions	1,316	726	-	2,042
Disposals	(1,293)	(137)	-	(1,430)
At March 31, 2002	57,658	9,433	194	67,285
Accumulated depreciation				
At April 1, 2001	-	5,454	110	5,564
Exchange adjustments	-	(35)	-	(35)
Provision for the year	-	900	9	909
Disposals	-	(67)	-	(67)
At March 31, 2002	-	6,252	119	6,371
Net book value				
At April 1, 2001	58,009	3,447	85	61,541
At March 31, 2002	57,658	3,181	75	60,914
Analysis of cost or valuation				
Year of valuation				
1995	680	-	-	680
1997	47,923	-	-	47,923
1999	7,796	-	-	7,796
Assets held at valuation	56,399	-	-	56,399
Assets held at cost	1,259	9,433	194	10,886
	57,658	9,433	194	67,285

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

6. Tangible Fixed Assets (cont'd)

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 tangible fixed assets carried at revalued amounts was £35,916,000 (2001 - £36,707,000). The surplus has been transferred to the revaluation reserve.

7. Investments

Company

Investments consist of investments in shares of Group undertakings of £3,439,065 (2001-£3,439,065) and loans to Group undertakings of £12,302,731 (2001- £12,302,731).

Group

A Group undertaking owns 48,000 (2001-48,000) 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 2002 (£ 000's)	Company 2002 (£ 000's)	Group 2001 (£ 000's)	Company 2001 (£ 000's)
Trade creditors	1,392	-	960	-
Advance deposits	242	-	245	-
Advance corporation tax	159	159	159	159
Due to group undertakings	60,295	1,131	34,119	1,019
Accruals & deferred income	478	2	730	65
Taxation & social security	(65)	-	(21)	-
Other creditors	165	-	12	-
	<u>62,666</u>	<u>1,292</u>	<u>36,204</u>	<u>1,243</u>

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

9. Bank and Other Borrowings

	2002 (£ 000's)	2001 (£ 000's)
Bank overdrafts	1,243	544
Current portion of long-term loans	1,400	1,412
	<u>2,643</u>	<u>1,956</u>

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.

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

	2002 (£ 000's)	2001 (£ 000's)
Secured bank loans		
The Bank of Nova Scotia	13,437	14,929
Less current portion (note 9)	(1,400)	(1,412)
	<u>12,037</u>	<u>13,517</u>

	2002 (£ 000's)	2001 (£ 000's)
Borrowings are repayable as follows:		
- In one year or less, or on demand	1,400	1,412
- In more than one year but not more than two	1,403	1,412
- In more than two years but not more than five	10,634	12,105
	<u>13,437</u>	<u>14,929</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 %.

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

11. Provisions for liabilities and charges

	2002 (£ 000's)	2001 (£ 000's)
At beginning of the year	1,203	957
Foreign exchange adjustment	(8)	128
Provision for interest and penalties on taxation (note 25)	122	118
At end of the year	1,317	1,203

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.

Allotted, called up and fully paid

	Group and Company		Group and Company	
	2002 Number of shares	2001 Number of shares	2002 (£ 000's)	2001 (£ 000's)
Ordinary shares of 25p	23,631,294	23,631,294	5,907	5,907
			5,907	5,907

13. Merger Reserve

	2002 (£ 000's)	2001 (£ 000's)
At beginning and end of the year	(1,906)	(1,906)

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

14. Revaluation Reserve

	2002 (£ 000's)	2001 (£ 000's)
At beginning of the year	20,984	18,606
Realised on disposal of Land and Buildings	(365)	-
Exchange adjustments	(136)	2,378
At end of the year	20,483	20,984

15.

Capital Redemption Reserve Group and Company

	2002 (£ 000's)	2001 (£ 000's)
Preference shares redeemed	3,000	3,000

16. Profit and Loss Account

	Group 2002 (£ 000's)	Company 2002 (£ 000's)	Group 2001 (£ 000's)	Company 2001 (£ 000's)
At beginning of the year	4,499	(3,326)	1,899	(3,264)
Retained (loss) profit for the year	(1,978)	(49)	192	(62)
Realised on disposal of Land and Buildings	365	-	-	-
Exchange adjustments	(236)	-	2,408	-
At end of the year	2,650	(3,375)	4,499	(3,326)

Goodwill cumulatively written off to reserves up to March 31, 2002 was £656,122 (2001 - £ 656,122).

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

17. Reconciliation of Movement in Equity Shareholder's Funds

	Group 2002 (£ 000's)	Company 2002 (£ 000's)	Group 2001 (£ 000's)	Company 2001 (£ 000's)
At beginning of the year	41,402	14,499	36,424	14,561
Total recognised gains and losses for the year	(2,350)	(49)	4,978	(62)
At end of the year	39,052	14,450	41,402	14,499

18. Profit and Loss for the financial year

	2002 (£ 000's)	2001 (£ 000's)
Parent company	(49)	(62)
Subsidiary undertakings	(1,929)	254
	(1,978)	192

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 financial statements.

19. Tax on (Loss) Profit on ordinary activities

a) Factors affecting tax charge for the year

	2002 (£ 000's)	2001 (£ 000's)
(Loss) Profit on ordinary activities before taxation	(1,978)	192
Tax at the applicable tax rate of 37.5% (2001: 40%)	(742)	77
Deferred taxation adjustment not provided	742	(77)
Current tax charge for the period	-	-

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

19. Taxation

b) Factors that may affect future tax charges

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, 2002 amounted to £5,250,126 (2001 - £4,100,355) and expire between 2003 and 2011 income years. Unrelieved Hotel Aids capital expenditure in total amounted to £10,451,243 (2001 - £10,667,648) and expires between the 2003 and 2011 income years of the companies in which the expenditure incurred.

c) Deferred tax

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 £7,925,977 (2001 - £7,189,305).

20. Notes to the Consolidated Cash Flow Statement

Reconciliation of operating profit (loss) to net cash flow from operating activities

	2002 (£ 000's)	2001 (£ 000's)
Operating (loss) profit	(323)	1,959
Depreciation charge	909	965
Increase in stock	(98)	(100)
Increase in debtors	(828)	(203)
Increase in amounts due to (from) related companies	2,741	(4,630)
Increase (decrease) in creditors	301	(141)
Increase in provisions for liabilities and charges	122	124
Exchange adjustments	(116)	1,230
Net cash inflow (outflow) from operating activities	2,708	(796)

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

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

Analysis of changes in net debt

	April 1, 2001 (£ 000's)	Cash flows (£ 000's)	Other changes (£ 000's)	Exchange adjustments (£ 000's)	March 31, 2002 (£ 000's)
Cash at bank and in hand	479	(310)	-	(3)	166
Bank overdrafts	(544)	(703)	-	4	(1,243)
		(1,013)			
Debt due within one year	(1,412)	1,387	(1,400)	25	(1,400)
Debt due after one year	(13,517)	-	1,400	80	(12,037)
	(14,994)	374	-	106	(14,514)

External borrowings

	2002 (£ 000's)	2001 (£ 000's)
At beginning of the year	14,929	14,483
Repayment of loans	(1,387)	(1,402)
Exchange adjustments	(105)	1,848
At end of the year	13,437	14,929

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

21. Operating (Loss) Profit

Operating (loss) profit is stated after charging (crediting):

	2002 (£ 000's)	2001 (£ 000's)
Depreciation	909	965
Exceptional expense (note 25)	122	118
Exceptional income (note 26)	(213)	-
Staff costs	6,183	6,367
Auditors' remuneration	65	61
Staff costs comprise		
Wages and salaries	5,659	5,805
Social security costs	524	562
	<u>6,183</u>	<u>6,367</u>
	Number	Number
Average number of staff during the year was	731	776
	£ 000's	£ 000's
Highest paid director	112	108

The directors of the company are also directors of the holding company and fellow subsidiaries. The directors received remuneration of £184,330 (2001 - £162,059), of which £15,250 (2001 - £15,640) was paid by the ultimate parent company and £ Nil (2001 - £Nil) was paid by the company and £169,080 (2001 - £146,419) by a fellow subsidiary of the holding company. Included within the total was £15,250 (2001 - £Nil) 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

	2002 (£ 000's)	2001 (£ 000's)
Bank overdrafts and loans	1,160	1,766
	<u>1,160</u>	<u>1,766</u>

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

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.

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

ST. JAMES BEACH HOTELS LIMITED

Notes to the Consolidated Financial Statements
Year ended March 31, 2002

25. Exceptional Expense

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 £1,317,072 (2001-£1,202,934) as an estimated liability contingent on the outcome of the Group's objection. Included within selling, general and administration and other costs is £121,988 (Note 11), representing additional interest for the period. A further amount of £2,394,386 (2001 - £2,191,969) is in dispute, however, given the uncertainty of this amount it has not been accrued for. Both amounts include penalty and interest charges.

There is in the opinion of the directors, a further potential future liability which relates to the allocation methodology used by all-inclusive hotels in determining the accommodation/ services split attributed for purposes of the Value Added Tax, in respect of revenue earned. At this time the liability cannot be quantified.

26. Exceptional Income

On October 29, 2001, the Government of Barbados created a Bds\$10 million fund to provide relief to the hospitality sector for losses arising out of the events of September 11, 2001. The fund is a component of a National Emergency Economic and Financial Program and is administered by the Enterprise Growth Fund.

During the year, hotels within the Group submitted claims to the Enterprise Growth Fund for relief for losses incurred. An amount of £213,396 was received in May 2002 and is included in other operating income as an exceptional item.

27. Contingent Liabilities

A number of lawsuits have been filed in the High Court against the Group. The Group has provided for claims totaling £130,282 (2001 - £27,482) in these financial statements. It is not possible to determine with reasonable accuracy the amounts, timing or outcome of other claims filed, at this stage, however, the directors believe that these claims will not be seriously prejudicial to the operations of the Group, and accordingly the Group has not provided for their costs in these consolidated financial statements.