

ST. JAMES BEACH HOTELS LIMITED

Company Registration Number - 2738769

NON-CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

2738769

Ernst & Young



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ST. JAMES BEACH HOTELS LIMITED

Corporate Information

Year ended March 31, 2005

Directors

Kenneth Kerr (resigned April 30, 2004)
Kamlesh Malkan (appointed April 21, 2004 and resigned July 20, 2004)
Lawrence Goland (appointed July 19, 2004)
Mason Sleeper (appointed July 19, 2004)

Secretary

Alfred Willey

Principal Banker

Bank of Nova Scotia

Lawyers

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

Registered Office

C/o Speechly Birchman, Solicitors
6 St. Andrew Street
London, EC4 3LX
England

Auditors

Ernst & Young

ST. JAMES BEACH HOTELS LIMITED

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ST. JAMES BEACH HOTELS LIMITED

Directors' Report for the year ended March 31, 2005

Principal Activity:

Principal Activity:

Until February 19, 2004 the principal activity of the company was the ownership and operation of the Crystal Cove, Coconut Creek, Tamarind Cove and Colony Club hotels in Barbados. Post February 19, 2004 the principal activity was that of holding its investment in Elegant Hotels (Barbados) Limited.

Review of the Business:

The company was dormant during the year.

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 immediate parent company of St. James Beach Hotels Limited.

Future Developments:

It is the intention of the directors to seek the dissolution of the company in the following financial year.

Annual General Meeting:

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

Directors:


Kenneth Kerr resigned as a director on April 30, 2004. Kamlesh Malkan was appointed on April 21, 2004 and resigned on July 20, 2004. Mason Sleeper and Lawrence Goland were appointed Directors on July 19, 2004.

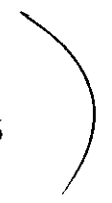
There were no Directors' interests requiring disclosure under the Companies Act 1985.

Independent Auditors:

Ernst & Young have indicated their willingness to continue in office as auditors, and a resolution proposing their appointment will be put to the Annual General Meeting.

BY ORDER OF THE BOARD


Secretary
June 28, 2006



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 #11 Madison Avenue, 9th Floor, New York, NY, 10010 on August 12, 2006 at 1200 hrs.

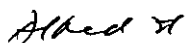
Ordinary Business:

1. To receive and adopt the Directors' Report and the accounts for the financial year ended March 31, 2004.
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


Secretary
June 28, 2006

Ernst & Young

ST. JAMES BEACH HOTELS LIMITED

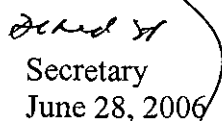
Statement of Directors' Responsibilities
Year ended March 31, 2005

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 as at the end of each financial year and of the profit or loss for that year. In preparing these financial statements 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 financial statements on a going concern basis unless it is inappropriate to presume that the Company 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 to enable them to ensure that the financial statements 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 to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD


Secretary
June 28, 2006

Ernst & Young

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

We have audited the company's non-consolidated financial statements for the year ended March 31, 2005, which comprise the Balance Sheet, non-consolidated Profit and Loss Account, non-consolidated Statement of Historical Losses and Profits, non-consolidated Statement of Total Recognised Gains and Losses, non-consolidated Statement of Cash Flows, Reconciliation of Shareholders' Funds and the related notes on pages 10 to 16. 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 independent 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 member 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 has 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 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'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)

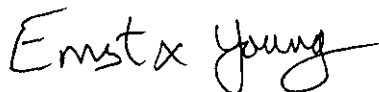
We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

Qualified opinion arising from limitation of scope and disagreement over accounting treatment

We have been unable to obtain all of the information and explanations that we considered necessary for the completion of our audit.

The company has not prepared consolidated financial statements. In our opinion, this is not in accordance with applicable United Kingdom accounting standards.

Because of the significance of the matters discussed in the previous paragraph, we do not express an opinion as to whether the financial statements give a true and fair view of the state of affairs of the company as at March 31, 2005 and of the loss for the year to that date and have been properly prepared in accordance with the Companies Act 1985.



CHARTERED ACCOUNTANTS
Registered Auditor

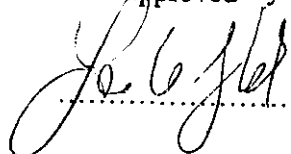
June 28, 2006
Barbados

ST. JAMES BEACH HOTELS LIMITED

Non-Consolidated Balance Sheet
As of March 31, 2005

	Notes	2005 (£)	2004 (£)
Fixed assets			
Investments	4	1	3,439,065
		1	3,439,065
Creditors: amounts falling due within one year			
Other	5	-	(161,910)
		-	(161,910)
Net assets		1	3,277,155
Capital and reserves			
Called up share capital	6	5,907,824	5,907,824
Share premium account		8,916,727	8,916,727
Capital redemption reserve	7	3,000,000	3,000,000
Profit and loss account	8	(17,824,550)	(14,547,396)
Equity shareholder's funds	9	1	3,277,155

The accompanying notes are an integral part of this Company's balance sheet. The accounts were approved by the Board of directors on June 28, 2006 and signed on their behalf by:

.....Director

ST. JAMES BEACH HOTELS LIMITED

Non-Consolidated Profit and Loss Account Year ended March 31, 2005

	Notes	2005 (£)	2004 (£)
Administrative costs		-	(309,434)
Operating loss before undernoted item		-	(309,434)
Other expense, net	14	(3,436,313)	(10,842,841)
Loss on ordinary activities before taxation		(3,436,313)	(11,152,275)
Taxation		159,159	-
Loss on ordinary activities after taxation		(3,277,154)	(11,152,275)

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

ST. JAMES BEACH HOTELS LIMITED

Other Primary Statements
Year ended March 31, 2005

Non-Consolidated Statement of Historical Losses and Profits

	2005 (£)	2004 (£)
Loss on ordinary activities before taxation	(3,277,154)	(11,152,275)
Historical cost loss on ordinary activities before taxation	(3,277,154)	(11,152,275)
Historical cost loss transferred to profit and loss account	(3,277,154)	(11,152,275)

The accompanying notes are an integral part of this Company's Statement of Historical Losses and Profits.

Statement of Total Recognised Gains and Losses

	2005 (£)	2004 (£)
Loss on ordinary activities before taxation	(3,277,154)	(11,152,275)
Total recognised losses since last financial year	(3,277,154)	(11,152,275)

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

ST. JAMES BEACH HOTELS LIMITED

Statement of Cash Flows Year ended March 31, 2005

	2005 (£)	2004 (£)
Net cash outflow from operating activities (Note 11)	-	-

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

ST. JAMES BEACH HOTELS LIMITED

Notes to the Non-Consolidated Financial Statements
Year ended March 31, 2005

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 1 Montague Place, 3rd Floor, East Bay Street, Nassau. CS Structured Credit Fund Limited, which is incorporated in the Cayman Islands, is the ultimate controlling party.

2. Accounting Policies

Except for the failure to prepare consolidated accounts, these financial statements are presented in accordance with applicable United Kingdom accounting standards and under the historical cost convention 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 financial statements have not been prepared.

[b] 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.

3. Related Party Balances and Transactions

Amounts payable to related companies are unsecured, interest-free and have no fixed terms of repayment. 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.

4. Investments

Company

Investments consist of investments in shares of Group undertakings of £1 (2004 - £3,439,065). During the year, the investments were written down to £1.

ST. JAMES BEACH HOTELS LIMITED

Notes to the Non-Consolidated Financial Statements
Year ended March 31, 2005

5. Creditors: Amounts falling due within one year

	2005 (£)	2004 (£)
Advance corporation tax	-	159,159
Due to group undertakings (Note 3)	-	2,751
	-	161,910

6. 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

	2005 Number of shares	2004 Number of shares	2005 (£)	2004 (£)
Ordinary shares of 25p	23,631,294	23,631,294	5,907,824	5,907,824
			5,907,824	5,907,824

7. Capital Redemption Reserve

	2005 (£)	2004 (£)
Preference shares redeemed	3,000,000	3,000,000

8. Profit and Loss Account

	2005 (£)	2004 (£)
At beginning of the year	(14,547,396)	(3,395,121)
Retained loss for the year	(3,277,154)	(11,152,275)
At end of the year	(17,824,550)	(14,547,396)

ST. JAMES BEACH HOTELS LIMITED

Notes to the Non-Consolidated Financial Statements
Year ended March 31, 2005

9. Reconciliation of Movement in Equity Shareholder's Funds

	2005 (£)	2004 (£)
At beginning of the year	3,277,155	14,429,430
Total recognised losses for the year	(3,277,154)	(11,152,275)
At end of the year	1	3,277,155

10. Tax on Loss on Ordinary Activities

a) Factors affecting tax charge for the year

	2005 (£)	2004 (£)
Loss on ordinary activities before taxation	(3,277,154)	(11,152,275)
Tax at the applicable rate 0% (2004: 0%)	-	-
Over provision in prior year	159,159	-
	159,159	-

11. Notes to the Statement of Cash Flows

Reconciliation of operating loss to net cash flow from operating activities

	2005 (£)	2004 (£)
Operating loss	-	(309,434)
Increase in creditors	-	309,434
Net cash inflow from operating activities	-	-

ST. JAMES BEACH HOTELS LIMITED

Notes to the Non-Consolidated Financial Statements
Year ended March 31, 2005

12. Operating Loss

Operating loss is stated after charging:

	2005 (£)	2004 (£)
Auditors' remuneration	-	2,752
	£	£
Highest paid director	-	-

The directors of the company are also directors of the holding company and fellow subsidiaries. The directors received remuneration of £Nil (2004 - £ Nil), of which £Nil (2004 - £ Nil) was paid by the ultimate parent company and £Nil (2004 - £Nil) was paid by the company and £Nil (2004 - £ Nil) by a fellow subsidiary of the holding company. The directors do not believe that it is practicable to apportion the 2004 amounts between their services as directors of the company and their services as directors to the holding company and fellow subsidiaries.

13. Subsidiary Undertakings

The following are subsidiaries, direct and indirect, of St. James Beach Hotels Limited.

<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
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	Dormant

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 beneficially by St. James Beach Hotels Limited.

ST. JAMES BEACH HOTELS LIMITED

Notes to the Non-Consolidated Financial Statements
Year ended March 31, 2005

13. Subsidiary Undertakings (cont'd)

The following subsidiaries were sold by Elegant Hotels (Barbados) Limited to Vision Capital Partners IV, L.P., a limited partnership incorporated in Scotland, on February 19, 2004.

<u>Name of company</u>	<u>Nature of business</u>
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
Windward Investments Limited	Property company
Paynes Bay Investments Limited	Land owner (non-trading)

14. Other Expense, net

	2005 (£)	2004 (£)
Impairment of investments	(3,439,064)	-
Related party waiver	2,751	(10,842,841)
	<u>(3,436,313)</u>	<u>(10,842,841)</u>

Impairment of investments

During the year, the investments were written down to £1.

Related party waiver

As a part of the acquisition restructuring prior to the sale of some of the companies within the Elegant Hotels group, related party loans of £2,751 (2004 - £10,842,841) net, was waived.