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Windsurfer Limited

Financial statements

for the year ended 31 March 2002

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Windsurfer Limited

Directors' report for the year ended 31 March 2002

Financial statements

The directors present herewith their report together with the audited balance sheet of the company at 31 March 2002. A profit and loss account is not presented as the company did not trade during the year.

Activities

The principal activity of the company is the freehold ownership of timeshare apartments in a complex situated at Tias, Lanzarote. The company's freehold title excludes occupation rights which are held by the timeshare owners.

Directors

The directors of the company holding office during the year and to date were:

P Ebdon	(resigned 29 November 2001)
J R Severn	(resigned 29 November 2001)
D MacDonald	(appointed 29 November 2001)
P Tate	(appointed 29 November 2001)

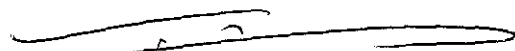
Secretary

The secretary of the company at 31 March 2002 was J M Killip who served throughout the year, and to date.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 12(2) of the Companies Act 1982.

By order of the board



Secretary

3 February

2003

Windsurfer Limited

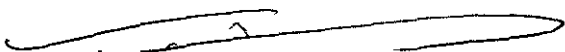
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 Isle of Man Companies Acts 1931 to 1993. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



Secretary

3 February 2003

Independent auditors' report to the shareholders of Windsurfer Limited

We have audited the financial statements set out on pages 5 to 7.

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 Isle of Man law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 15 of the Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 Isle of Man Companies Acts 1931 – 1993. 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' fees and transactions with the company 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 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 judgements 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.

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. As explained in note 5 in the financial statements, there is considerable uncertainty regarding the outcome of the tax assessment brought against the company. The outcome of this assessment could result in additional liabilities to the company. Should additional liabilities arise, then the validity of the going concern basis implied in the preparation of these financial statements may be dependent on the continued support of the members of Club Lago Verde. However, at the date of signing our report the company has been unable to provide us with satisfactory evidence sufficient to confirm that the members of Club Lago Verde has the ability to offer the company continued support.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion: disclaimer on view given by the financial statements

Because of the possible effect of the limitation in the evidence made available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002. In all other respects, in our opinion the accounts have been properly prepared in accordance with the Isle of Man Companies Acts 1931-1993.

In respect of the limitation on our work relating to the evidence that the members of Club Lago Verde have the ability to offer the company continued support, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.



Chartered Accountants
Douglas, Isle of Man

4 FEBRUARY 2003


Windsurfer Limited

Balance sheet as at 31 March 2002

	Note	2002 £	2001 £
Fixed assets			
Freehold land and buildings	3	-	-
Current assets			
Cash at bank		100	100
Net assets		100	100
Capital			
Share capital	4	100	100

The notes on pages 6 and 7 form part of these financial statements.

The financial statements were approved by the board of directors on 31.1.2003 and signed on their behalf by:


Director


Director

Windsurfer Limited

Notes to the financial statements for the year ended 31 March 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Fixed assets

The freehold property owned by the company is accounted for at nil value as the property has been acquired without any rights of occupancy.

2 Profit and loss account

No profit and loss account is presented as the company did not trade during the year.

3 Freehold land and buildings

In accordance with the company's accounting policy, stated above, no cost has been attributed to these purchases. The company is the owner of 24 apartments within the tourist complex known as Lago Verde, situated in Calle Geiser, Puerto del Carmen, Tias, Lanzarote. The properties were purchased in various tranches:

Date acquired apartments	Number of apartments
6 October 1988	8
3 February 1989	13
27 February 1992	1
28 September 1995	2
	24

An easement in favour of title number 21,778 (and the owners and occupiers of the apartments built thereon), in relation to the shared use of the swimming pool at the complex and access thereto exists. This includes use of reservoir, conduits, swimming pool machinery, solarium and water hydrocompressor under Block A.

4 Share capital

	2002 £	2001 £
Authorised 2,000 ordinary shares of £1 each	2,000	2,000
Issued 100 ordinary shares of £1 each	100	100

The shareholders of the company hold their shares as trustees for the members of Club Lago Verde who have occupancy rights of the freehold properties owned by this company.

Windsurfer Limited

5 Spanish tax assessment

The Spanish Tax Authorities have registered attachment notices for the aggregate rateable value of approximately PTAS9,000,000 against the notional income in respect of rights of use of the apartments at Lago Verde. The tax assessment is being defended vigorously by the company and is expected to continue for some time. The Spanish Tax Authorities have embargoed one apartment in the company's ownership pending the resolution before the courts.

The company's costs in respect of the tax assessment are being met by the members of Club Lago Verde and accordingly no provision has been made in these financial statements.

6 Ultimate holding company

The Royal Bank of Scotland plc, 36 St Andrew Square, Edinburgh, Scotland hold the shares in the company, in a fiduciary capacity as trustees, for members of the Timeshare Club.

7 Related parties

The directors of the company Mr MacDonald and Mr Tate are employees of The Royal Bank of Scotland Trust & Estates Services.

The Royal Bank of Scotland plc acts as the company's banker, creditor and shareholder.

Related party transactions are disclosed in note 6.