

Flanesford Priory Limited

Financial statements

For the year ended 31 December 2004



Company information

Company registration number :	2907496
Registered office :	Citrus House Caton Road Lancaster Lancashire LA1 3UA
Directors :	G I Bruce D R Harris
Secretary :	R J McGee
Bankers :	National Westminster Bank Plc 44 Market Street Carnforth Lancashire LA5 9WY
Solicitors :	Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

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Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Principal activity

The company did not trade during the year. The only transactions during the year related to the disposal of a freehold property.

Results and dividends

The profit for the year after taxation amounted to £9,280 (2003 : £Nil). The directors do not recommend the payment of a dividend (2003 : £142,580) and the profit has been transferred to reserves.

Directors

The directors who held office during the year are shown below. All directors served throughout the year unless otherwise indicated.

G I Bruce
D R Harris (appointed 4 August 2004)

The directors have no interest in the share capital of the company. The interests of the directors in the share capital of the immediate parent undertaking, Sunterra Europe (Group Holdings) Plc, are disclosed in the financial statements of that company.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

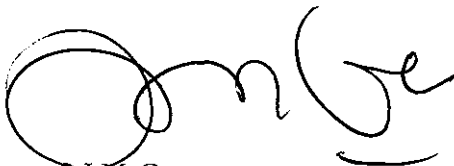
The directors are also responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under Section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'R J McGee', written in a cursive style.

R J McGee
Secretary

21 June 2005

Report of the independent auditors to the members of Flanesford Priory Limited

We have audited the financial statements of Flanesford Priory Limited for the year ended 31 December 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 11. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

Grant Thornton 

Report of the independent auditors to the members of Flanesford Priory Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

21 June 2005

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below. The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the company's circumstances.

Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets, other than freehold land, by equal annual instalments over their expected useful lives. The rates generally applicable are :

Freehold buildings	2% to 5% per annum
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Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Profit and loss account

	Note	2004 £	2003 £
Operating income		14,603	–
Administrative expenses		<u>(5,323)</u>	<u>–</u>
Profit on ordinary activities before taxation	1	9,280	–
Tax on profit on ordinary activities	2	<u>–</u>	<u>–</u>
Profit for the financial year		9,280	–
Dividends	3	–	(142,580)
Transfer to reserves	8	<u>9,280</u>	<u>(142,580)</u>

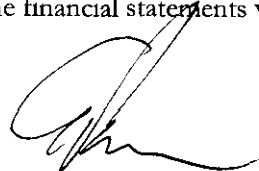
The results disclosed above all relate to continuing operations.

There were no recognised gains or losses other than the results disclosed above.

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	4	<u>—</u>	<u>74,771</u>
Current assets			
Debtors	5	9,380	100
Creditors : amounts falling due within one year	6	<u>—</u>	<u>(74,771)</u>
Net current assets/(liabilities)		9,380	(74,671)
Net assets		<u>9,380</u>	<u>100</u>
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account	8	9,280	—
Equity shareholders' funds	9	<u>9,380</u>	<u>100</u>

The financial statements were approved by the Board of Directors on 13 June 2005.



G I Bruce

Director

Notes to the financial statements

1 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is attributable to the principal activity of the company and arises wholly within the United Kingdom.

The profit on ordinary activities before taxation is stated after charging/(crediting) :

	2004	2003
	£	£
Depreciation – owned assets	5,323	–
Profit on sale of fixed assets	<u>(14,603)</u>	<u>–</u>

Remuneration in respect of the auditors has been settled by a fellow group undertaking, Sunterra Europe Limited.

2 Tax on profit on ordinary activities

	2004	2003
	£	£
The taxation charge represents :		
Corporation tax at 30% (2003 : 30%)	<u>–</u>	<u>–</u>

Factors affecting the tax charge for the year

The difference between the actual tax assessed for the year and the expected charge based on the standard rate of corporation tax in the United Kingdom of 30% (2003 : 30%) is explained as follows :

	2004	2003
	£	£
Profit on ordinary activities before taxation	<u>9,280</u>	<u>–</u>
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2003: 30%)	2,784	–
Effect of:		
Items not assessable to tax	<u>(2,784)</u>	<u>–</u>
Current tax charge for the year	<u>–</u>	<u>–</u>

3 Dividends

	2004	2003
	£	£
Equity dividends:		
Ordinary dividend of £Nil (2003 : £1,425.80) per share	<u>–</u>	<u>142,580</u>

4 Tangible fixed assets

	Freehold land and buildings
	£
Cost	
At 1 January 2004	211,002
Disposal	<u>(211,002)</u>
At 31 December 2004	<u><u>-</u></u>
Depreciation	
At 1 January 2004	136,231
Provided in the year	5,323
Disposal	<u>(141,554)</u>
At 31 December 2004	<u><u>-</u></u>
Net book amount	
At 31 December 2004	<u><u>-</u></u>
At 31 December 2003	<u><u>74,771</u></u>

5 Debtors

	2004	2003
	£	£
Amounts owed by group undertakings	<u>9,380</u>	<u>100</u>

6 Creditors : amounts falling due within one year

	2004	2003
	£	£
Amounts owed to group undertakings	<u>-</u>	<u>74,771</u>

7 Share capital

	2004	2003
	£	£
Authorised, allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

8 Profit and loss account

	£
At 1 January 2004	–
Retained profit for the financial year	9,280
At 31 December 2004	<u>9,280</u>

9 Reconciliation of movements in equity shareholders' funds

	2004	2003
	£	£
Profit for the financial year	9,280	–
Dividends	–	(142,580)
Net movement in equity shareholders' funds	<u>9,280</u>	<u>(142,580)</u>
Opening equity shareholders' funds	100	142,680
Closing equity shareholders' funds	<u>9,380</u>	<u>100</u>

10 Ultimate parent undertaking

The directors regard Sunterra Corporation, a company incorporated in the USA, as the company's ultimate parent undertaking.

The smallest group in which the results of the company are consolidated is that headed by Sunterra Europe (Group Holdings) Plc, whose principal place of business is at Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA. The consolidated accounts of the group can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

11 Related party transactions

The company has taken advantage of the exemption included in FRS 8 and has not disclosed transactions with other members of the group headed by Sunterra Corporation.