

**L S FINANCIAL SERVICES
LIMITED**

Report and Financial Statements

31 December 2001



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N J Benson
G Bruce

SECRETARY

J McGee

REGISTERED OFFICE

Citrus House
Caton Road
Lancaster
Lancashire
LA1 3UA

BANKERS

National Westminster Bank
44 Market Street
Carnforth
Lancashire
LA5 9WT

SOLICITORS

Mayer Brown Rowe & Maw
11 Pilgrim Street
London
EC4V 6RW

AUDITORS

Deloitte & Touche
Martins Building
4 Water Street
Liverpool L2 8UY
United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

The company is engaged in the provision of complementary services to individuals who have previously purchased timeshare interests from fellow subsidiaries. During the year these services mainly comprised the provision of loan finance.

REVIEW OF DEVELOPMENTS

The results for the year are set out in the profit and loss account on page 5 and the financial position of the company is set out in the balance sheet on page 6. The directors consider the trading results and the financial position of the company to be satisfactory.

DIVIDENDS

£

Results and recommended transfers are as follows:

Retained profit at 1 January 2001	830,704
Profit for the financial year	181,718
	<hr/>
Retained profit at 31 December 2001	1,012,422
	<hr/>

The directors do not recommend a payment of a dividend (2000 - nil).

FUTURE PROSPECTS

The directors do not consider there will be a significant change in trading activity during the forthcoming year.

DIRECTORS AND THEIR INTERESTS

The directors who serviced during the year are as shown below:

N J Benson
G Bruce

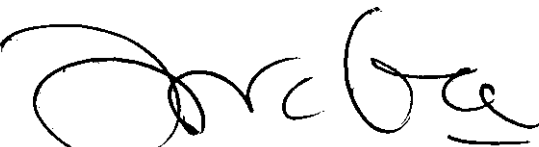
N J Benson and G Bruce are directors of the immediate parent undertaking, Sunterra Europe (Group Holdings) Plc and their interests in the shares of the holding company are disclosed in the accounts of that company.

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

AUDITORS

An elective resolution being passed previously to dispense with the obligation to appoint auditors annually, Deloitte & Touche are deemed to be re-appointed in accordance with section 386(2) of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

19/8/02

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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, and
- 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 Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF L S FINANCIAL SERVICES LIMITED

We have audited the financial statements of L S Financial Service Ltd for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 11. These financial statements have been prepared under 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 United Kingdom legal and regulatory requirements and 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 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 the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

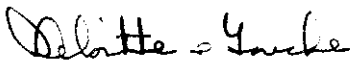
Basis of audit opinion

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

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



25 September 2002

Deloitte & Touche
Chartered Accountants and Registered Auditors
Liverpool

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER: continuing operations	2	673,551	636,613
Other operating income		52,820	25,244
Administrative expenses		<u>(517,113)</u>	<u>(244,781)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	209,258	417,076
Tax on profit on ordinary activities	5	<u>(27,540)</u>	<u>(97,583)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		181,718	319,493
Retained profit brought forward		<u>830,704</u>	<u>511,211</u>
Retained profit carried forward		<u>1,012,422</u>	<u>830,704</u>

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly, no separate statement of total recognised gains and losses is shown.

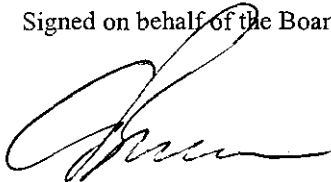
L S FINANCIAL SERVICES LIMITED

BALANCE SHEET
31 December 2001

	Note	2001 £	2000 £
CURRENT ASSETS			
Debtors			
- amounts falling due within one year	6	4,852,133	4,766,475
- amounts falling due after more than one year	6	1,617,552	1,322,438
Cash at bank and in hand		73	54,453
		<u>6,469,758</u>	<u>6,143,366</u>
CREDITORS: amounts falling due within one year	7	<u>(5,437,336)</u>	<u>(5,292,662)</u>
NET ASSETS		<u>1,032,422</u>	<u>850,704</u>
CAPITAL AND RESERVES			
Called up share capital	8	20,000	20,000
Profit and loss account		<u>1,012,422</u>	<u>830,704</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	9	<u>1,032,422</u>	<u>850,704</u>

These financial statements were approved by the Board of Directors on 19 August 2002

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

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

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Sunterra Corporation Inc. a company incorporated in the USA and its cash flows are included within the consolidated cash flow statement of that company.

Leases

All leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease, even if payments are not made on such a basis.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax using the liability method, only to the extent that it is probable that an actual facility will crystallise.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit, all of which arise in the United Kingdom, are attributable to one activity.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All staff are employed and paid by a fellow group company Grand Vacation Company Limited.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £	2000 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
- audit fee	2,250	3,000

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
The tax charge comprises:		
UK Corporation tax:		
Current tax on income for the period	-	97,583
Adjustments in respect of prior periods	27,540	-
	<u>27,540</u>	<u>97,583</u>

The taxation charge is disproportionate to the profit for the year because of the effect of group relief received free of charge.

6. DEBTORS

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	1,645,526	929,463
Amounts owed by group undertakings	3,120,953	3,752,148
Other debtors	47,025	56,658
Prepayments and accrued income	38,629	28,206
	<u>4,852,133</u>	<u>4,766,475</u>
	2001 £	2000 £

Amounts falling due after more than year:
 Trade debtors

1,617,552	1,322,438
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7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Amount owed to group undertakings	5,396,201	5,190,953
Corporation tax	-	97,583
Other creditors	41,135	1,126
Accruals and deferred income	-	3,000
	<u>5,437,336</u>	<u>5,292,662</u>

8. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Called up, allotted and fully paid		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

9. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Profit for the financial year	181,718	319,493
Opening shareholders' funds	850,704	531,211
	<hr/>	<hr/>
Closing shareholders' funds	1,032,422	850,704
	<hr/>	<hr/>

10. GUARANTEES OF OTHER FINANCIAL COMMITMENTS

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result it had jointly guaranteed the VAT liability of this group as at 31 December 2001. The directors are of the opinion that no additional is likely to arise from the failure of other group companies.

11. ULTIMATE PARENT COMPANY

The directors regard Sunterra Corporation Inc., 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 will be delivered to, and can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

As a subsidiary of Sunterra Europe (Group Holdings) Plc, the company has taken advantage of the exemption in FRS8 Restated party disclosures not to disclose transactions with other members of the group headed by Sunterra Europe (Group Holdings) Plc.