

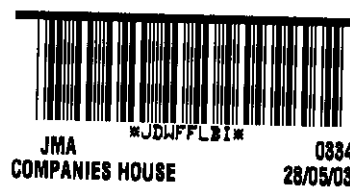
CANARYROUTE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2002

Company Number : 3102256



CANARYROUTE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

Company Registration Number : 3102256

Registered Office : Citrus House
Caton Road
Lancaster
Lancashire
LA1 3UA

Directors : G I Bruce
R I Harrington
P A Woodgate

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
Registered Auditors
Chartered Accountants
Heron House
Albert Square
Manchester
M60 8GT

CANARYROUTE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

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CANARYROUTE LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

Principal activity

The company's principal activity is the marketing of holiday ownership on behalf of fellow subsidiary undertakings.

Results and dividends

The profit for the year after taxation amounted to £311,144 (2001: £5,424). The directors do not recommend the payment of a dividend (2001 : £Nil) leaving the amount of £311,144 (2001: £5,424) to be transferred to reserves.

Directors

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

R I Harrington
N J Benson (resigned 22 March 2003)
G I Bruce
P A Woodgate (appointed 29 November 2002)

None of the directors had any 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.

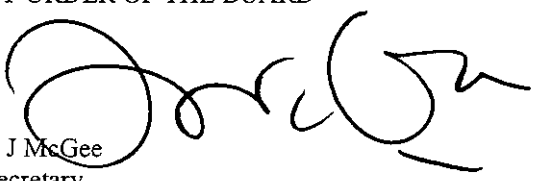
CANARYROUTE LIMITED

REPORT OF THE DIRECTORS

Auditors

Deloitte & Touche resigned as auditors during the year and Grant Thornton were appointed to fill the casual vacancy. Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD


R J McGee
Secretary

19 May 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

CANARYROUTE LIMITED

We have audited the financial statements of Canaryroute Limited for the year ended 31 December 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 12. 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 applicable law and United Kingdom 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.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

19 May 2003

CANARYROUTE LIMITED

PRINCIPAL ACCOUNTING POLICIES

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 following the introduction of FRS 18 and consider them to be the most appropriate to the company's circumstances.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

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 economic lives. The rates generally applicable are:

Fixtures, fittings and equipment	5 years
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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.

CONTRIBUTIONS TO PENSION FUNDS

The pension costs charged against profits represent the amount of the contributions payable to the private pension plans of certain employees in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

CANARYROUTE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

GOVERNMENT GRANTS

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

CASH FLOW STATEMENT

The company has taken advantage of the exemption provided by FRS 1 and has not prepared a cash flow statement on the grounds that it is a medium-sized company within the meaning of the Companies Act 1985.

CANARYROUTE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £	2001 £
Turnover	1	2,957,382	2,552,014
Administrative expenses		(3,337,332)	(3,248,004)
Other operating income		<u>812,636</u>	<u>700,396</u>
Profit on ordinary activities before taxation	1	432,686	4,406
Tax on profit on ordinary activities	3	(121,542)	1,018
Profit for the financial year	9	<u><u>311,144</u></u>	<u><u>5,424</u></u>

The results disclosed above all relate to continuing operations.

There were no recognised gains or losses other than the profit for the financial year.

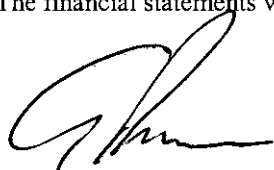
The accompanying accounting policies and notes form an integral part of these financial statements.

CANARYROUTE LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	4	7,553	31,442
Current assets			
Debtors	5	2,360,320	1,010,768
Cash at bank and in hand		295,146	1,001,523
		<u>2,655,466</u>	<u>2,012,291</u>
Creditors: amounts falling due within one year	6	<u>(2,280,643)</u>	<u>(1,972,501)</u>
Net current assets		374,823	39,790
Total assets less current liabilities		<u>382,376</u>	<u>71,232</u>
Capital and reserves			
Called up share capital	8	50,000	50,000
Profit and loss account	9	<u>332,376</u>	<u>21,232</u>
Equity shareholders' funds	10	<u>382,376</u>	<u>71,232</u>

The financial statements were approved by the Board of Directors on 19 May 2003.



G I Bruce

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CANARYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company.

	2002	2001
	£	£
The profit on ordinary activities before taxation is stated after charging :		
Depreciation – owned assets	18,604	31,967
Auditors' remuneration – audit services	6,028	4,000
Operating lease rentals	–	235

2 DIRECTORS AND EMPLOYEES

All staff are employed and paid by a fellow group company, Grand Vacation Company Limited. The directors did not receive any emoluments for services to the company during the year (2001 : £Nil).

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£	£
The taxation charge/(credit) is based on the profit for the year and represents :		
Corporation tax at 30% (2001 : 30%)	133,330	5,758
Adjustments in respect of prior years	(5,758)	(6,776)
	127,572	(1,018)
Deferred tax	(6,030)	–
	121,542	(1,018)

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 30% (2001: 30%). The differences are explained as follows :

	2002	2001
	£	£
Profit on ordinary activities before taxation	432,686	4,406
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	129,806	1,322
Effect of:		
Expenses not deductible for tax purposes	1,808	–
Depreciation for the year in excess of capital allowances	1,716	4,436
Adjustment in respect of prior years	(5,758)	(6,776)
Current tax charge for the year	127,572	(1,018)

CANARYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

4 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £
Cost	
At 1 January 2002	123,428
Disposals	<u>(7,046)</u>
At 31 December 2002	<u>116,382</u>
Depreciation	
At 1 January 2002	91,986
Provided in the year	18,604
Disposals	<u>(1,761)</u>
At 31 December 2002	<u>108,829</u>
Net book amount	
At 31 December 2002	<u>7,553</u>
At 31 December 2001	<u>31,442</u>

5 DEBTORS

	2002 £	2001 £
Trade debtors	748,047	788,770
Amounts owed by group undertakings	1,031,395	146,759
Prepayments and accrued income	22,186	75,239
Other debtors	552,662	—
Deferred taxation (note 7)	<u>6,030</u>	<u>—</u>
	<u>2,360,320</u>	<u>1,010,768</u>

6 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	1,558,338	1,162,399
Amounts owed to group undertakings	—	97,509
Corporation tax	133,330	5,758
Accruals and deferred income	<u>588,975</u>	<u>706,835</u>
	<u>2,280,643</u>	<u>1,972,501</u>

CANARYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

7 DEFERRED TAXATION

The movement on the deferred tax asset during the year was as follows :

	£
At 1 January 2002	—
Credit for the year	6,030
At 31 December 2002	<u>6,030</u>

The deferred tax asset comprises the following :

	2002 £	2001 £
Accelerated capital allowances	7,746	—
Other timing differences	(1,716)	—
	<u>6,030</u>	<u>—</u>

8 SHARE CAPITAL

	2002 £	2001 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

9 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2002	21,232
Profit for the financial year	<u>311,144</u>
At 31 December 2002	<u>332,376</u>

10 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	311,144	5,424
Opening equity shareholders' funds	<u>71,232</u>	<u>65,808</u>
Closing equity shareholders' funds	<u>382,376</u>	<u>71,232</u>

CANARYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

11 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 will be delivered to, and can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

12 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.