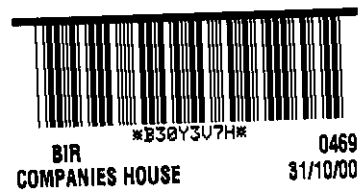


LS Interval Ownership Limited

Accounts 31 December 1999
together with directors' and auditors' reports

Registered number: 01943415



Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1999.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business. In this respect we draw your attention to the basis of preparation set out in note 1 to the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Principal activities and business review

The company did not trade during the year and made neither profits or losses. The directors do not recommend the payment of a dividend (1998-£Nil).

The financial position of the company is set out in the balance sheet on page 5.

Directors and their interests

The directors who served 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 shares 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.

Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

A handwritten signature in black ink, appearing to read 'G. Bruce', with a long horizontal flourish extending to the right.

G. Bruce
Director

Pine Lake Resort
Carnforth
Lancaster
LA6 1JZ

30 October 2000

To the Shareholders of LS Interval Ownership Limited:

We have audited the accounts on pages 4 to 10, which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the possible outcome of the Chapter 11 filing by the ultimate parent company Sunterra Corporation Inc. and certain of that company's US based subsidiary undertakings. In view of the significance of this uncertainty we consider it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1999 and have been properly prepared in accordance with the Companies Act 1935.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

30 October 2000

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	-	3,057,007
Other operating expenses	3	-	(3,102,032)
Operating loss		-	(45,025)
Interest receivable		-	35,658
Interest payable and similar charges	4	-	(10,078)
Loss on ordinary activities before taxation	5	-	(19,445)
Tax on loss on ordinary activities	7	-	(28,791)
Loss for the financial year		-	(48,236)

All trade was transferred to a fellow group company during 1998, after which the company ceased trading. There are no recognised gains or losses in either year other than the loss for the financial year.

A statement of movements on reserves is given in note 11.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 1999

	Notes	1999 £	1998 £
Current assets			
Debtors	8	3,585,218	5,250,138
Cash at bank and in hand		3,711	61,182
		<u>3,588,929</u>	<u>5,311,320</u>
Creditors: Amounts falling due within one year	9	<u>(3,311,502)</u>	<u>(5,033,893)</u>
Net assets		<u>277,427</u>	<u>277,427</u>
Capital and reserves			
Called-up share capital	10	20,000	20,000
Profit and loss account	11	<u>257,427</u>	<u>257,427</u>
Equity shareholders' funds	12	<u>277,427</u>	<u>277,427</u>

Signed on behalf of the Board



G. Bruce
Director

30 October 2000

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1999

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, is set out below.

a) Basis of accounting

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

The company's ultimate parent company and certain of that company's US based subsidiaries have filed a voluntary petition for relief under Chapter 11 of the US Bankruptcy Code. The directors of LS Interval Ownership Limited and its UK based parent company wish to stress that these companies do not form part of this Chapter 11 filing. The directors believe this will have no material adverse effect on the business of LS Interval Ownership Limited and consequently the accounts have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would result if the plan was not approved.

b) 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 U.S.A., and its cash flows are included within the consolidated cash flow statement of that company.

c) Fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided by the company to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings and equipment	- 20 - 33% per annum
Motor vehicles	- 25% per annum

d) Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

All other 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.

Notes to accounts (continued)

1 Accounting policies (continued)

e) Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

f) 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 liability will crystallise.

2 Turnover

Turnover represents the amounts receivable for goods and services supplied and excludes value added tax. The turnover and pre-tax loss is attributable to one activity. All turnover is within the United Kingdom.

3 Other operating expenses

	1999 £	1998 £
Administrative expenses	-	3,102,032

4 Interest payable

	1999 £	1998 £
Bank loans and overdrafts	-	144
Finance leases and hire purchase contracts	-	9,874
Other interest	-	60
	-	10,078

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging (crediting):

	1999 £	1998 £
Depreciation and amounts written off tangible fixed assets:		
- owned assets	-	173,659
- leased assets	-	92,307
Profit on disposal of tangible fixed assets	-	(1,420)
Operating lease rentals:		
- plant and machinery	-	37,980
Auditors' remuneration: audit fees	-	4,747
Staff costs (see note 6)	-	4,231,078

Notes to accounts (continued)

6 Staff costs

Particulars of employees are as shown below:

	1999 £	1998 £
Employee costs during the year amounted to:		
Wages and salaries	-	3,912,044
Social security costs	-	286,225
Other pension costs	-	32,809
	<u>-</u>	<u>4,231,078</u>

Up until 30 September 1998, all employees within the Sunterra Group were employed and paid by the company and amounts were recharged to the respective group undertakings. However from 1 October 1998, all employee costs for the group were paid by Sunterra Europe Limited. Hence, the salary costs in 1998 which is detailed above is for a 9 month period only. The contracts were not transferred until the 1999 financial year and therefore the number of employees stated below represents the full year to 31 December 1998.

The average monthly number of persons employed by the company during the year was as follows:

	1999 Number	1998 Number
Finance and group administration	-	68
Sales and marketing	-	183
Resort management	-	224
Travel reservations	-	45
	<u>-</u>	<u>520</u>

The directors of the company are also directors of the group holding company and the relevant disclosures are made in the group accounts.

7 Tax on loss on ordinary activities

The tax charge comprises:

	1999 £	1998 £
Corporation tax	-	43,248
Adjustment in respect of prior years	-	(14,457)
	<u>-</u>	<u>28,791</u>

A corporation tax charge arose in 1998 despite a loss before tax due to significant costs that were disallowable for taxation purposes.

Notes to accounts (continued)

8 Debtors

Amounts falling due within one year:

	1999 £	1998 £
Amounts owed by group undertakings	<u>3,585,218</u>	<u>5,250,138</u>

9 Creditors: Amounts falling due within one year

	1999 £	1998 £
Bank overdraft	59,321	6,475
Amounts owed to group undertakings	3,252,181	4,981,721
Corporation tax	-	43,248
Other creditors	-	2,449
	<u>3,311,502</u>	<u>5,033,893</u>

10 Called-up share capital

	1999 £	1998 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

11 Reserves

	Profit and loss account £
Beginning and end of year	<u>257,427</u>

12 Reconciliation of movements in equity shareholders' funds

	1999 £	1998 £
Loss for the financial year	-	(48,236)
Opening shareholders' funds	<u>277,427</u>	<u>325,663</u>
Closing shareholders' funds	<u>277,427</u>	<u>277,427</u>

Notes to accounts (continued)

13 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 Pine Lake Resort, Carnforth, Lancaster, LA6 1JZ. The consolidated accounts of the group will be delivered to, and can be obtained from the Registrar of Companies, Companies Registration Office, 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 "Related party disclosures" from disclosing transactions with other members of the group headed by Sunterra Europe (Group Holdings) Plc.