ARTHUR ANDERSEN

Woodford Bridge Country Club Limited

Accounts 31 December 1997
together with directors' and auditors' reports

Registered number: 1833365

Directors' report

For the year ended 31 December 1997

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 1997.

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.

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 is engaged in the development and marketing of holiday ownership. The majority of the company's sales are to LS Promotions Limited, a fellow subsidiary undertaking.

The results for the year are set out in the profit and loss account on page 4 and the financial position of the company is set out in the balance sheet on page 5. The directors consider the trading results and the financial position of the company to be satisfactory.

Results and dividends

Results and recommended transfers to reserves are as follows:

	£
Retained loss at 1 January 1997	(16,940)
Profit for the financial year	33,423
Retained profit at 31 December 1997	16,483

The directors do not recommend the payment of a dividend (1996 - £Nil).

Directors' report (continued)

Directors and their interests

The directors who served during the year are as show below:

I.K. Ganney	(resigned 18 June 1998)
R.I. Harrington	(resigned 9 March 1998)
N.J. Benson	(appointed 9 March 1998)
G. Bruce	(appointed 18 June 1998)

R.I. Harrington is a director, and I.K. Ganney was until his resignation, a director of the immediate parent undertaking, LSI 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

Arthur Andersen were appointed as auditors to the company during the year. The directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

G. Bruce
Director

Pine Lake Resort
Carnforth
Lancashire
LA6 1JZ

29 July 1998

Auditors' report

Manchester

To the Shareholders of Woodford Bridge Country Club Limited:
We have audited the accounts on pages 4 to 9, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors
As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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.

Opinion
In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

29 July 1998

Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	345,125	289,550
Cost of sales		(282,966)	(234,014)
Gross profit		62,159	55,536
Other operating expenses (net)	3	(44,940)	(33,902)
Operating profit		17,219	21,634
Interest receivable		58	-
Profit on ordinary activities before taxation	4	17,277	21,634
Tax on profit on ordinary activities	5	16,146	2,245
Profit for the financial year		33,423	23,879

All activity has arisen from continuing operations. There are no recognised gains or losses in either year other than the profit for the financial year.

A statement of movements on reserves is given in note 10.

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

Balance sheet

31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	6	-	-
Current assets			
Stocks		131,722	251,654
Debtors	7	311,908	135,354
Cash at bank		1,387	1
		445,017	387,009
Creditors: Amounts falling due within one year	8	(428,532)	(403,947)
Net current assets (liabilities)		16,485	(16,938)
Net assets (liabilities)		16,485	(16,938)
Capital and reserves			
Called-up share capital	9	2	2
Profit and loss account	10	16,483	(16,940)
Equity shareholders' funds	11	16,485	(16,938)

Signed on behalf of the Board

G. Bruce Director

29 July 1998

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

Notes to accounts

31 December 1997

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 preparation

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

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 provision for permanent diminution in value.

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	-	5 years
Computer equipment	-	3 years

d) Stocks

Timeshare stocks comprise the cost of unsold periods in timeshare accommodation and are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present condition.

e) Leases

Where the company enters into a lease which entails taking substantially all the risks of 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 with 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.

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.

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 only to the extent that it is probable that an actual liability will crystallise.

Notes to accounts (continued)

2 Turnover

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

3 Other operating expenses (net)

	1997 £	1996 £
Selling and distribution costs	-	75,000
Administrative expenses	124,944	39,823
Other operating income	(80,004)	(80,921)
Other operating expenses (net)	44,940	33,902

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Auditors' remuneration : audit fees	1,500	1,550
: other services	-	1,750

5 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1997 £	1996 £
Corporation tax at 31.5% (1996 – 33%)	4,591	6,461
Adjustment in respect of prior years	(20,737)	(8,706)
	(16,146)	(2,245)

6 Tangible fixed assets

The movement in the year was as follows:

	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost			
Beginning and end of year	64,395	18,432	82,827
Depreciation			
Beginning and end of year	64,395	18,432	82,827
Net book value			
Beginning and end of year	-	-	-

Notes to accounts (continued)

7 Debtors

Amounts falling due within one year:

	1997 £	1996 £
Amounts owed by group undertakings	311,908	135,354

8 Creditors: Amounts falling due within one year

	1997 £	1996 £
Bank overdraft	8,948	2,545
Amounts owed to group undertakings	410,232	392,441
Corporation tax	4,591	6,461
Accruals and deferred income	4,761	2,500
	428,532	403,947

9 Called-up share capital

	1997 £	1996 £
Authorised		
500,000 ordinary shares of £1 each	500,000	500,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

10 Reserves

	Profit and loss account £
Beginning of year	(16,940)
Retained profit for the year	33,423
End of year	16,483

11 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	33,423	23,879
Opening deficiency in equity shareholders' funds	(16,938)	(40,817)
Closing equity shareholders' funds	16,485	(16,938)

Notes to accounts (continued)

12 Contingent liability

The Spanish direct and indirect tax authorities have not yet established a clear regime as regards holiday ownership operations. In common with the holiday ownership industry in general, the company recognise this to be a situation which needs to be clarified in due course. Whilst the uncertainty surrounding this area could potentially result in there being an exposure to taxation in Spain, the directors consider that any such liability would be mitigated by other relevant taxation factors. Due to the nature of the uncertainty, the directors do not consider it practicable to make an estimate of the potential financial effect.

13 Guarantees and 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 has jointly guaranteed the VAT liability of this group at 31 December 1997. The directors are of the opinion that no additional liability is likely to arise from the failure of other group companies.

14 Ultimate parent company

The directors regard Sunterra Corporation Inc., (formerly Signature Resorts 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 LSI 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 LSI Group Holdings Plc, the company has taken advantage of the exemption in FRS8 "Related party disclosures" not to disclose transactions with other members of the group headed by LSI Group Holdings Plc.