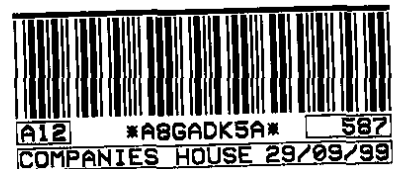




## LS Financial Services Limited

Accounts 31 December 1998  
together with directors' and auditors' reports

Registered number: 01934359



## Directors' report

For the year ended 31 December 1998

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 1998.

### 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 provision of complementary services to individuals who have previously purchased timeshare interests from fellow subsidiaries. During the year these services mainly comprised the provisions of loan finance.

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 profit at 1 January 1998	169,685
Profit for the financial year	147,903
Retained profit at 31 December 1998	<u>317,588</u>

The directors do not recommend the payment of a dividend (1997 - £Nil).

## Directors' report (continued)

### Directors and their interests

The director who served during the year are as shown 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, N.J. Benson and G. Bruce are directors, 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.

### Year 2000

The directors are aware of the importance of the year 2000 issue and are in the process of ensuring that all hardware and software systems are year 2000 compliant.

### 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,



G. Bruce  
Director

Pine Lake Resort  
Carnforth  
Lancaster  
LA6 1JZ

30 June 1999

# ARTHUR ANDERSEN

## Auditors' report

Manchester

### To the Shareholders of LS Financial Services Limited:

We have audited the accounts on pages 4 to 8, 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 1 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**  
**Chartered Accountants and Registered Auditors**

Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

30 June 1999

## Profit and loss account

For the year ended 31 December 1998

	Notes	1998 £	1997 £
<b>Turnover</b>	2	319,699	260,129
Cost of sales		-	(119,713)
<b>Gross profit</b>		319,699	140,416
Administrative expenses		(105,120)	(106,566)
Other operating income		49	-
<b>Operating profit</b>		214,628	33,850
Interest payable		(5)	(85)
<b>Profit on ordinary activities before taxation</b>	3	214,623	33,765
Tax on profit on ordinary activities	4	(66,720)	(14,278)
<b>Profit for the financial year</b>		147,903	19,487

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 8.

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

## Balance sheet

31 December 1998

	Notes	1998 £	1997 £
<b>Current assets</b>			
Debtors: Amounts falling due within one year	5	3,169,060	1,263,571
Debtors: Amounts falling due after more than one year	5	771,000	994,262
Cash at bank and in hand		167,403	92,991
		<u>4,107,463</u>	<u>2,350,824</u>
<b>Creditors: Amounts falling due within one year</b>	6	<u>(3,769,875)</u>	<u>(2,161,139)</u>
<b>Net assets</b>		<u>337,588</u>	<u>189,685</u>
<b>Capital and reserves</b>			
Called-up share capital	7	20,000	20,000
Profit and loss account	8	<u>317,588</u>	<u>169,685</u>
<b>Equity shareholders' funds</b>	9	<u>337,588</u>	<u>189,685</u>

Signed on behalf of the Board



G. Bruce

Director

30 June 1999

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

# Notes to accounts

31 December 1998

## 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 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) 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 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.

### d) 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 profit is attributable to one activity. All turnover is within the United Kingdom.

## 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Auditors' remuneration		
- audit fee	2,640	1,750

The directors received no remuneration during the year ended 31 December 1998 (1997 - £nil).

## Notes to accounts (continued)

### 4 Tax on profit on ordinary activities

The tax charge comprises:

	1998 £	1997 £
Corporation tax	66,533	10,642
Adjustment in respect of prior years	187	3,636
	<u>66,720</u>	<u>14,278</u>

### 5 Debtors

Amounts falling due within one year:

	1998 £	1997 £
Trade debtors	1,372,021	283,239
Amounts owed by group undertakings	1,744,308	927,284
Other debtors	37,077	40,000
Prepayments and accrued income	15,654	13,048
	<u>3,169,060</u>	<u>1,263,571</u>

Amounts falling due after more than one year:

Trade debtors	<u>771,000</u>	<u>994,262</u>
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### 6 Creditors: Amounts falling due within one year

	1998 £	1997 £
Trade creditors	661	2,328
Amount owed to group undertakings	3,456,453	2,146,419
Corporation tax	66,533	10,642
Other creditors	-	1,750
Accruals and deferred income	246,228	-
	<u>3,769,875</u>	<u>2,161,139</u>



## Notes to accounts (continued)

### 7 Called-up share capital

	1998 £	1997 £
<i>Authorised</i>		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
<i>Allotted, called up and fully paid</i>		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

### 8 Reserves

	Profit and loss account £
Beginning of year	169,685
Retained profit for the year	<u>147,903</u>
End of year	<u>317,588</u>

### 9 Reconciliation at movements in equity shareholders' funds

	1998 £	1997 £
Profit for the financial year	147,903	19,487
Opening shareholders' funds	<u>189,685</u>	<u>170,198</u>
Closing shareholders' funds	<u>337,588</u>	<u>189,685</u>

### 10 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 1998. The directors are of the opinion that no additional liability is likely to arise from the failure of other group companies.

### 11 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 this group will be delivered, 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.