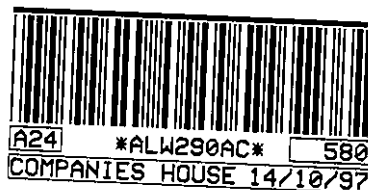


Company Number: 2907496

FLANESFORD PRIORY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996



David Hill + Co
CHARTERED ACCOUNTANTS

STRAWBERRY HOW BUSINESS CENTRE · LORTON ROAD · COCKERMOUTH · CUMBRIA CA13 9QX
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Registered to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants

FLANESFORD PRIORY LIMITED
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 1996

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The following pages do not form part of the Statutory Accounts.

9	Detailed Profit and Loss Account
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FLANESFORD PRIORY LIMITED

1.

COMPANY INFORMATION

Company Number: 2907496

Registered Office: Pine Lake Resort
Carnforth
Lancashire
LA6 1JZ

Directors: Mr R Harrington (appointed 24 January 1997)
Mr I K Ganney (appointed 24 January 1997)

Bankers: Bank of Ireland
727/729 High Road
Finchley
London
N12 0BJ

Solicitors: Rowe and Maw
20 Blackfriars Lane
London
EC4V 6HD

Auditors: David Hill & Co.
Registered Auditors
Chartered Accountants
Strawberry How Business Centre
Lorton Road
Cockermouth
Cumbria
CA13 9QX

DIRECTORS' REPORT

The directors present their report and audited accounts for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The principal activity of the company during the year under review continued to be that of timeshare sales and management.

DIRECTORS

The directors of the company in office during the year and their beneficial interests in the issued share capital were as follows:

	Ordinary shares of £1 each	
	1996	1995
Mr D Hill (resigned 24 January 1997)	50	50
Mrs M Hill (resigned 24 January 1997)	50	50

DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss 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;
- * follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- * 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing the above report, the directors have taken advantage of special exemptions applicable to small companies.

ON BEHALF OF THE BOARD

Mr R Harrington - Director *R Harrington*

Dated: 23 September 1997

FLANESFORD PRIORY LIMITED

We have audited the financial statements 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 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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.

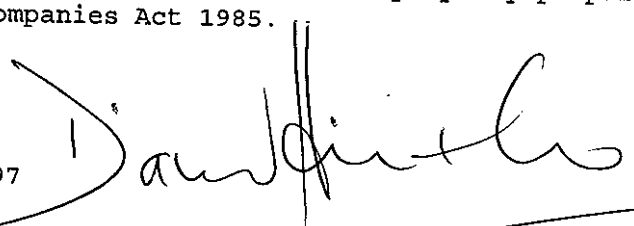
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1996 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Dated 23 September 1997

DAVID HILL + CO
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
COCKERMOUTH
CUMBRIA



FLANESFORD PRIORY LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	395,581	59,949
COST OF SALES		(162,044)	-
GROSS PROFIT		233,537	59,949
Administrative expenses		(43,890)	(18,467)
Other Operating Income		189,647	41,482
		-	1,840
OPERATING PROFIT	3	189,647	43,322
Other non-trading income		8,650	-
Interest payable		(8,943)	(21,178)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		189,354	22,144
Taxation		(55,414)	(7,063)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		133,940	15,081
Profit on sale of subsidiary company		-	7,402
Less Taxation		-	(1,850)
		133,940	20,633
EXTRAORDINARY ITEMS			
Subsidiary Company balance written off		(6,609)	-
Related Company balance written off		(30,404)	-
		96,927	20,633
STATEMENT OF RETAINED PROFIT			
Retained profit brought forward		45,653	25,020
Retained Profit for the Year		96,927	20,633
RETAINED PROFIT CARRIED FORWARD		£ 142,580	£ 45,653

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses in the current or the previous year other than the profit or loss for the year.

CONTINUING OPERATIONS

All of the operations undertaken by the company during the current and preceding year are continuing operations.

The notes on pages 6 to 8 form part of these financial statements

FLANESFORD PRIORY LIMITEDBALANCE SHEET AS AT 31 DECEMBER 1996

	Notes	£	1996	£	1995	£
FIXED ASSETS						
Tangible Assets	4		143,257		296,651	
CURRENT ASSETS						
Debtors	5	1,226		7,423		
		<u>1,226</u>		<u>7,423</u>		
CREDITORS: Amounts falling due within one year	6	1,803		78,534		
NET CURRENT ASSETS/(LIABILITIES)			(577)		(71,111)	
TOTAL ASSETS						
LESS CURRENT LIABILITIES			142,680		225,540	
CREDITORS: Amounts falling due after more than one year	7		-		(179,787)	
			<u>£ 142,680</u>		<u>£ 45,753</u>	
CAPITAL & RESERVES						
Called up Share Capital	8		100		100	
Profit and Loss Account			142,580		45,653	
			<u>£ 142,680</u>		<u>£ 45,753</u>	

The directors have taken advantage of special exemptions conferred by Schedule 8 to the Companies Act 1985 applicable to small companies in the preparation of these financial statements and have done so on the grounds that, in their opinion, the company is entitled to those exemptions.

ON BEHALF OF THE BOARD

R. Harrington

Mr R Harrington

Dated: 23 september 1997

The notes on pages 6 to 8 form part of these financial statements.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

1. ACCOUNTING POLICIES

Accounting Convention

These accounts have been prepared under the historical cost convention.

Tangible Fixed Assets and Depreciation

The freehold property is a timeshare development. When a timeshare week is sold, the cost of that week is calculated on a pro rated basis and written off to profit and loss account.

Leased Assets

Fixed assets obtained under finance leases or hire purchase contracts are capitalised in the balance sheet and are depreciated over their expected useful economic lives.

The interest element of the rental payments is charged to the profit and loss account over the primary period of the lease in proportion to the capital element outstanding.

The costs of operating leases are charged to the profit and loss account in the period in which they are incurred.

Deferred Taxation

No deferred taxation is provided on timing differences arising between profits as computed for taxation purposes and profits as stated in the accounts as no liability is expected to arise in the foreseeable future.

Cash Flow Statement

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 and has not prepared a Cash Flow Statement.

2. TURNOVER

The turnover and result before taxation is attributable to the principal activity of the company, and is earned entirely within the United Kingdom.

3. OPERATING PROFIT

	<u>1996</u>	<u>1995</u>
	£	£
Profit on Ordinary Activities is arrived at after charging:		
Operating lease rentals	-	2,159
Depreciation on fixed assets	(8,650)	6,106
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

4. TANGIBLE ASSETS

	Freehold Land & Buildings £	TOTAL £
COST		
At 1 January 1996	305,301	305,301
Disposals	(162,044)	(162,044)
At 31 December 1996	143,257	143,257
DEPRECIATION		
At 1 January 1996	8,650	8,650
Depreciation written back	(8,650)	(8,650)
At 31 December 1996	-	-
NET BOOK VALUE		
At 31 December 1996	143,257	143,257
At 31 December 1995	296,651	296,651

5. DEBTORS

	<u>1996</u> £	<u>1995</u> £
Trade Debtors	-	7,122
Prepayments and Accrued Income	1,226	301
	1,226	7,423

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1996</u> £	<u>1995</u> £
Bank Loans and Overdrafts	-	33,369
Other Creditors	1,803	45,165
	1,803	78,534

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1996</u> £	<u>1995</u> £
Bank Loans and Overdrafts	-	179,787
	-	179,787

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

8. SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
Authorised		
100 Ordinary Shares of £1 each	100	100
Allotted, Issued and Fully Paid		
100 Ordinary Shares of £1 each	100	100

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>1996</u>	<u>1995</u>
	£	£
Retained Profit for the year	96,927	20,633
Opening Shareholders Funds	45,753	25,120
Closing Shareholders Funds	142,680	45,753

10. POST BALANCE SHEET EVENTS

On 24 January 1997, the whole of the share capital of the company was sold to Mawlaw 309 Limited, a company registered in England and Wales.

On the same day, Flanesford Priory Limited also acquired the freehold premises situated at Flanesford Farmhouse for £270,000. The farmhouse is adjacent to the company's existing development and will enhance the whole.

On 24 January 1997, the company trade was transferred to LS Promotions Limited, a company registered in the UK which is a wholly owned subsidiary of LSI Group Holdings plc.

11. PARENT UNDERTAKINGS AND RELATED PARTIES

The ultimate holding company of Mawlaw 309 Limited and LS Promotions Limited is LSI Group Holdings plc, a company registered in England and Wales.