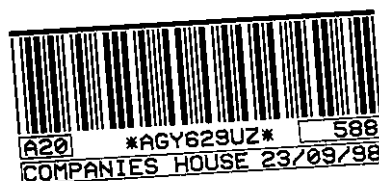


ARTHUR ANDERSEN

Flanesford Priory Limited

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

Registered number: 2907496



Director's report

For the year ended 31 December 1997

The directors present their annual report on the affairs of the company, together with the accounts for the year ended 31 December 1997.

Principal activities

The company remained dormant throughout the year and made neither profits nor losses. The directors do not recommend the payment of a dividend (1996 - £Nil).

The financial position of the company is set out in the balance sheet on page 4.

Directors and their interests

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

R.I. Harrington	(appointed 24 January 1997 and resigned 9 March 1998)
I.K. Ganney	(appointed 24 January 1997, and resigned 18 June 1998)
D. Hill	(resigned 24 January 1997)
M. Hill	(resigned 24 January 1997)
N.J. Benson	(appointed 9 March 1998)
G. Bruce	(appointed 18 June 1998)

R.L. 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 reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



G. Bruce
Director

Pine Lake Resort
Carnforth
Lancaster
LA6 1JZ

29 July 1998

Auditors' report

Manchester

To the Shareholders of Flanesford Priory Limited:

We have audited the accounts on pages 3 to 6, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

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.

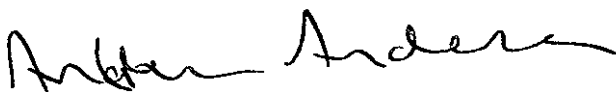
Basis of opinion

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 1997 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

29 July 1998

Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £ Discontinued	1996 £ Discontinued (As restated see note 2)
Turnover		-	395,581
Cost of sales		-	(162,044)
Gross profit			<u>233,537</u>
Other operating expenses (net)	2	-	(72,253)
Operating profit		-	<u>161,284</u>
Interest payable and similar charges		-	(8,943)
Profit on ordinary activities before taxation	3		<u>152,341</u>
Tax on profit on ordinary activities	4	-	(55,414)
Profit for the financial year		-	<u>96,927</u>

There are no recognised gains or losses in either year other than the profit for the financial year.

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

Balance sheet

31 December 1997

	Notes	1997 £	1996 £ (As restated see note 2)
Fixed assets			
Tangible assets	2	-	-
Current assets			
Stock		143,257	143,257
Debtors: prepayments		1,226	1,226
Creditors: amounts falling due within one year			
Other creditors		(1,803)	(1,803)
Net assets		<u>142,680</u>	<u>142,680</u>
Net assets			
Capital and reserves			
Called-up share capital	6	100	100
Profit and loss account		142,580	142,580
Equity shareholders' funds	7	<u>142,680</u>	<u>142,680</u>

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

Basis of accounting

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

2 Prior year adjustments

The following prior year adjustments have been reflected through the accounts:

	1997 £	1996 £
<i>a) Other operating expenses</i>		
As previously stated:		
Administrative expenses	-	43,890
Other operating income	-	(8,650)
	<u>-</u>	<u>35,240</u>
Restatement of exceptional write offs previously disclosed as extraordinary items	-	6,609
Amount owed by subsidiary undertaking	-	30,404
Amount owed by related company	-	72,253
As restated	<u>-</u>	<u>109,266</u>

b) Fixed assets and stocks

Due to a change in accounting policy, fixed assets held at 31 December 1996 have been reclassified as stock.

	Fixed assets £	Stock £
Balance at 31 December 1996		
As previously stated	143,257	-
Change in classification	(143,257)	143,257
As restated	<u>-</u>	<u>143,257</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting:

	1997 £	1996 £
Depreciation and amounts written off tangible fixed assets	-	8,650
Balance written back	<u>-</u>	<u>8,650</u>

Notes to accounts (continued)

4 Tax on profit on ordinary activities

	1997 £	1996 £
Corporation tax	-	55,414

5 Tangible fixed assets

	Freehold land and buildings £
Cost	143,257
At beginning of year	(143,257)
Group transfers	-
At end of year	-

6 Called-up share capital

	1997 £	1996 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully-paid</i>		
100 Ordinary shares of £1 each	100	100

7 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	-	96,927
Opening equity shareholders' funds	142,680	45,753
Closing equity shareholders' funds	142,680	142,680

8 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 to, and will be available from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.