

ARTHUR ANDERSEN

LSI Travel Club Limited

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

Registered number: 3102256



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 to 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 travel services to individuals who have previously purchased holiday ownership from fellow subsidiaries.

The results of 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 result 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 1997	268,831
Profit for the financial year	64,471
Retained profit at 31 December 1997	<u>333,302</u>

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 shown below.

I.K. Garney	(resigned 18 June 1998)
R.I. Harrington	
N.J. Benson	(appointed 7 May 1998)

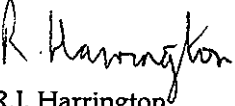
R.I. Harrington is a director and I.K. Garney was until his resignation a director of the immediate parent undertaking, LSI Group Holdings Plc and their interests in the shares of the holding company are disclosed in the accounts of that company.

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.

On behalf of the Board,


R.I. Harrington
Director

Pine Lake Resort
Carnforth
Lancaster
LA6 1JZ

26 June 1998

Auditors' report

Manchester

To the Shareholders of LSI Travel Club 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 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.

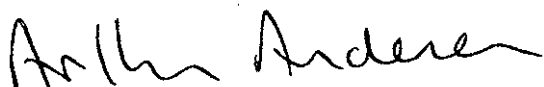
Basis of opinion

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 1997 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

26 June 1998

Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	955,802	1,186,193
Other operating expenses	3		
- before exceptional items		(860,369)	(643,108)
- exceptional items		-	(140,000)
		<u>(860,369)</u>	<u>(783,108)</u>
Operating profit		95,433	403,085
Interest receivable		-	203
Profit on ordinary activities before taxation	4	95,433	403,288
Tax on profit on ordinary activities	6	(30,962)	(134,457)
Profit for the financial year		<u>64,471</u>	<u>268,831</u>

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 12.

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	7	11,232	2,671
Current assets			
Debtors	8	2,333,552	2,106,462
Cash at bank and in hand		139,726	18,067
		2,473,278	2,124,529
Creditors: Amounts falling due within one year	9	(2,116,717)	(1,854,569)
Net current assets		356,561	269,960
Total assets less current liabilities		367,793	272,631
Provision for liabilities and charges			
Deferred taxation	10	15,509	46,200
Net assets		383,302	318,831
Capital and reserves			
Called-up share capital	11	50,000	50,000
Profit and loss account	12	333,302	268,831
Equity shareholders' funds	13	383,302	318,831

Signed on behalf of the Board



R.I. Harrington

Director

26 June 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 financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of LSI Group Holdings Plc, a company incorporated in England and Wales, and its cash flows are included within the consolidated cash flow statement of that company.

b) Fixed assets and depreciation

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

Fixtures, fittings and equipment - 5 years

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 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.

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 period 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.

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.

Notes to accounts (continued)

3 Other operating expenses

	1997 £	1996	
		Before exceptional items £	Exceptional items £
Selling and distribution costs	450,220	282,369	-
Administrative expenses	410,149	360,739	140,000
	<u>860,369</u>	<u>643,108</u>	<u>140,000</u>
			<u>783,108</u>

The exceptional item included within administrative expenses relates to the costs of relocating the company's premises.

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Depreciation and amounts written off tangible fixed assets: owned assets	1,447	333
Operating lease rentals	2,777	22,000
Auditors' remuneration: audit fees	7,875	3,500
Staff costs (see note 5)	<u>380,104</u>	<u>315,535</u>

5 Staff costs

Particulars of employees, including executive directors, are as shown below:

	1997 £	1996 £
Employee costs during the year amounted to:		
Wages and salaries	344,810	285,209
Social security costs	31,705	24,913
Other pension costs	<u>3,589</u>	<u>5,413</u>
	<u>380,104</u>	<u>315,535</u>

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

	Number	Number
Travel and reservations	<u>35</u>	<u>30</u>

Notes to accounts (continued)

6 Tax on profit on ordinary activities

	1997 £	1996 £
Corporation tax at 31.5% (1996 - 33%)	1,781	180,657
Adjustment in respect of prior years	(1,510)	-
Deferred taxation	30,691	(46,200)
	<u>30,962</u>	<u>134,457</u>

7 Tangible fixed assets

The movement in the year was as follows:

	Fixtures, fittings and equipment £
Cost	
Beginning of year	3,091
Additions	11,055
Disposals	(1,207)
End of year	<u>12,939</u>
Depreciation	
Beginning of year	420
Charge	1,447
Disposals	(160)
End of year	<u>1,707</u>
Net book value	
Beginning of year	<u>2,671</u>
End of year	<u>11,232</u>

8 Debtors

Amounts falling due within one year:

	1997 £	1996 £
Trade debtors	670,810	677,253
Amounts owed by group undertakings	1,646,902	1,419,347
Other debtors	817	2,343
Prepayments and accrued income	15,023	7,519
	<u>2,333,552</u>	<u>2,106,462</u>

Notes to accounts (continued)

9 Creditors: Amounts falling due within one year

	1997 £	1996 £
Trade creditors	842,725	865,709
Amounts owed to group undertakings	739,660	513,212
Corporation tax	1,781	180,657
Other creditors	69,153	2,426
Accruals and deferred income	463,398	292,565
	<u>2,116,717</u>	<u>1,854,569</u>

10 Deferred Taxation

	1997 £	1996 £
Beginning of year	46,200	-
Transfer to profit and loss account	(30,691)	46,200
End of year	<u>15,509</u>	<u>46,200</u>

The deferred tax asset comprises:

	£	£
Short term timing difference	<u>15,509</u>	<u>46,200</u>

11 Called-up share capital

	1997 £	1996 £
<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>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

12 Reserves

	Profit and loss account £
Beginning of year	268,831
Retained profit for the year	64,471
End of year	<u>333,302</u>

Notes to accounts (continued)

13 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	64,471	268,831
New shares issued	-	50,000
Net increase in shareholders' funds	64,471	318,831
Opening shareholders' funds	318,831	-
Closing shareholders' funds	383,302	318,831

14 Financial commitments

The minimum annual rentals under non-cancellable operating leases in respect of land and buildings are as follows:

	1997 £	1996 £
Operating leases which expire:		
Between two and five years	-	22,000

15 Ultimate parent company

The directors regard 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.