

**L S Financial Services Limited**

Report and Financial Statements

Year ended 31 December 2006



**BDO**

BDO Stoy Hayward

**L S Financial Services Limited**

**Annual report and financial statements for the year ended 31 December 2006**

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**Director**

F C Bauman

**Secretary and registered office**

S Crook

Citrus House  
Caton Road  
Lancaster  
Lancashire  
LA1 3UA

**Company registration number**

1934359

**Auditors**

BDO Stoy Hayward LLP  
Commercial Buildings  
11-15 Cross Street  
Manchester  
M2 1WE

## **L S Financial Services Limited**

### **Report of the director for the year ended 31 December 2006**

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The director presents his report together with the audited financial statements for the year ended 31 December 2006

#### **Principal activity**

The company's principal activity is the provision of financial services to members of Club Sunterra

#### **Results and dividend**

The profit for the year after taxation amounted to £199,366 (2005 £84,217) The director does not recommend the payment of a dividend (2005 £Nil) and the profit has been transferred to reserves

#### **Directors**

The directors who held office during the year are shown below All directors served throughout the year unless otherwise indicated

G I Bruce (resigned 30 January 2006)

D R Harris (resigned 1 May 2006)

F C Bauman (appointed 21 September 2006)

The directors have no interest in the share capital of the company or in the share capital of the immediate parent undertaking, Sunterra Europe (Group Holdings) plc

#### **Statement of director's responsibilities**

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the director 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 of the company for that period In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985 The director is 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

**L S Financial Services Limited**

**Report of the director for the year ended 31 December 2006 (*Continued*)**

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**Financial instruments**

The company does not use financial instruments

**Post balance sheet events**

The company was acquired by Diamond Resorts Holdings LLC on 25 April 2007. This is detailed in note 12 of the financial statements.

**Enhanced business review**

The company has taken the exemptions available in section 246 of the Companies Act 1985 in respect of the directors report relating to small companies.

**Auditors**

The current director has taken all the steps that he ought to have taken to make himself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

Grant Thornton resigned as auditors on 14 December 2006 and BDO Stoy Hayward LLP were subsequently appointed as auditors.

By order of the board



S Crook  
Secretary

Date 31<sup>st</sup> August 2007

## **L S Financial Services Limited**

### **Report of the independent auditors for the year ended 31 December 2006**

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#### **To the shareholders of L S Financial Services Limited**

We have audited the financial statements of L S Financial Services Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The director's responsibilities for preparing the director's report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of director's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the director 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.

**L S Financial Services Limited**

**Report of the independent auditors for the year ended 31 December 2006 (*Continued*)**

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**Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*BDO Stoy Hayward LLP*

**BDO Stoy Hayward LLP**

*Chartered Accountants and Registered Auditors  
Manchester*

Date *31 August 2007*

**L S Financial Services Limited**

**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	2	538,347	649,028
Cost of sales		(312,285)	(495,612)
<b>Gross profit</b>		<u>226,062</u>	<u>153,416</u>
Other operating income		20,743	42,577
Administrative expenses		(47,289)	(52,440)
Interest payable		(150)	-
<b>Profit on ordinary activities before taxation</b>	2	<u>199,366</u>	<u>143,553</u>
Tax on profit on ordinary activities	4	-	(59,336)
<b>Profit for the financial year</b>		<u>199,366</u>	<u>84,217</u>

The results disclosed above all relate to continuing operations

There were no recognised gains or losses other than the profit for the financial year

The accompanying notes on pages 7 to 10 form part of these financial statements

**L S Financial Services Limited**

**Balance sheet as at 31 December 2006**

	Note	2006 £	2005 £
<b>Current assets</b>			
Debtors - amounts falling due within one year	5	17,325,384	16,492,252
- amounts falling due after more than one year	5	1,031,591	1,402,413
Cash at bank and in hand		5,380	5,645
		<u>18,362,355</u>	<u>17,900,310</u>
<b>Creditors: amounts falling due within one year</b>	6	<b>(16,106,506)</b>	<b>(15,843,827)</b>
<b>Net assets</b>		<u><b>2,255,849</b></u>	<u><b>2,056,483</b></u>
<b>Capital and reserves</b>			
Called up share capital	7	20,000	20,000
Profit and loss account	8	2,235,849	2,036,483
<b>Shareholders' funds</b>	9	<u><b>2,255,849</b></u>	<u><b>2,056,483</b></u>

The financial statements were approved by the Board and authorised for issue on 22nd August 2007

  
F C Bauman  
Director

The accompanying notes on pages 7 to 10 form part of these financial statements



## **L S Financial Services Limited**

### **Notes to the financial statements for the year ended 31 December 2006**

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#### **1 Principal accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the company have remained unchanged from the previous year and are set out below. The directors have reviewed the accounting policies in accordance with the FRS18 and consider them to be the most appropriate to the company's circumstances

##### **Turnover**

Turnover is the total amount receivable by the company for interest and fees on finance agreements, excluding VAT

##### **Cost of Sales**

Cost of sales comprises bad debts written off and provisions for doubtful debts. Debts are written off when all reasonable steps to recover them have been taken without success

##### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

##### **Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account

##### **Cash flow statement**

The company has taken advantage of the exemption provided by FRS 1 and has not prepared a cash flow statement as its results are included in the consolidated results of Sunterra Europe (Holdings) Limited, which can be obtained from Companies House

## **L S Financial Services Limited**

### **Notes to the financial statements for the year ended 31 December 2006 (Continued)**

#### **2 Turnover and profit on ordinary activities before taxation**

Turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company, and arose wholly within the United Kingdom

The audit fee for the company was borne by a fellow group undertaking, Sunterra Europe Limited

#### **3 Directors and employees**

All staff are employed and paid by a fellow group company, Sunterra Europe Limited. The directors did not receive any emoluments for services to the company during the year (2005 £nil)

#### **4 Tax on profit on ordinary activities**

The taxation charge represents

	2006 £	2005 £
Corporation tax at 30% (2005 30%)		
- current year	-	-
- prior period adjustment	-	59,336
Current tax charge for the year	<u>-</u>	<u>59,336</u>

#### **Factors affecting the tax charge for the year**

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom of 30 % (2005 30%). The differences are explained as follows

	2006 £	2005 £
Profit on ordinary activities before taxation	199,366	143,553
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30 % (2005 30%)	59,810	43,066
Effect of		
Group relief	(59,810)	(43,066)
Adjustment in respect of prior years	-	59,336
Current tax charge for the year	<u>-</u>	<u>59,336</u>

**L S Financial Services Limited**

**Notes to the financial statements for the year ended 31 December 2006 (Continued)**

<b>5 Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	708,875	1,538,168
Amounts owed by group undertakings	16,616,509	14,943,900
Other debtors	-	10,184
	<u>17,325,384</u>	<u>16,492,252</u>
<b>Amounts falling due after more than one year:</b>		
Trade debtors	<u>1,031,591</u>	<u>1,402,413</u>
<b>6 Creditors: amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank overdraft	2,055	856
Amounts owed to group undertakings	16,073,082	15,720,750
Trade creditors	68	276
Other creditors	372	2,736
Accruals and deferred income	30,929	119,209
	<u>16,106,506</u>	<u>15,843,827</u>
The bank overdraft is unsecured		
<b>7 Share capital</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
<b>Allotted, called up and fully paid</b>		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
<b>8 Profit and loss account</b>		<b>£</b>
At 31 December 2005		2,036,483
Profit for the financial year		199,366
At 31 December 2006		<u>2,235,849</u>

## LS Financial Services Limited

### Notes to the financial statements for the year ended 31 December 2006 (*Continued*)

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#### 9 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	2,056,483	1,972,266
Profit for the financial year	199,366	84,217
Closing shareholders' funds	<u>2,255,849</u>	<u>2,056,483</u>

#### 10 Ultimate parent undertaking

At the balance sheet date, the director regards Sunterra Corporation, a company incorporated in the USA, as the company's ultimate parent undertaking

Sunterra Corporation and its subsidiaries were acquired by Diamond Resorts Holdings LLC, a company incorporated in the USA, on 25 April 2007

The Director regards Diamond Resorts Holdings LLC as the company's ultimate parent undertaking at the date these financial statements have been signed

The smallest group in which the results of the company are consolidated is that headed by Sunterra Europe (Holdings) Limited, whose principal place of business is at Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA. The consolidated accounts of the group can be obtained from Companies House

#### 11 Related party transactions

The company has taken advantage of the exemption included in FRS 8 and has not disclosed transactions with other members of the group headed by Sunterra Corporation

#### 12 Post balance sheet events

Sunterra Corporation and its subsidiaries were acquired by Diamond Resorts Holdings LLC, a company incorporated in the USA, on 25 April 2007