

Diamond Resorts Holidays Limited

Report and Financial Statements

Year Ended

31 December 2007



Company Registration Number. 3102256

DIAMOND RESORTS HOLIDAYS LIMITED

**Annual report and financial statements
for the year ended 31 December 2007**

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Directors

S Crook
M Kandel

Secretary and registered office

S Crook

Citrus House
Caton Road
Lancaster
Lancashire
LA1 3UA

Company registration number

3102256

Auditors

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

DIAMOND RESORTS HOLIDAYS LIMITED

Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Principal activity and future developments

The company's principal activity is the marketing of holiday ownership on behalf of fellow subsidiary undertakings. The directors expect that future activity in the company will reduce as alternative marketing initiatives are pursued.

Results and dividend

The loss for the year after taxation amounted to £76,559 (2006 £914,579). The directors do not recommend the payment of a dividend (2006 £Nil) and the loss 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.

F C Bauman (resigned 7 January 2008)

M Kandel (appointed 7 January 2008)

S Crook (appointed 5 October 2007)

The directors have no interest in the share capital of the company. The interests of the directors in the share capital of the ultimate parent undertaking, Diamond Resorts (Holdings) Limited, are disclosed in the financial statements of that company.

Statement of director's responsibilities

The directors are responsible for preparing the directors' 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 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 of the company for that period. In preparing these financial statements, the directors are 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 directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

DIAMOND RESORTS HOLIDAYS LIMITED

Report of the directors for the year ended 31 December 2007 (*Continued*)

Financial instruments

The company does not use financial instruments

Extended 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 directors have taken all the steps that they ought to have taken to make themselves 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 directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

S Crook
Secretary



Date 25th June 2008

DIAMOND RESORTS HOLIDAYS LIMITED

Report of the independent auditors for the year ended 31 December 2007

To the shareholders of Diamond Resorts Holidays Limited

We have audited the financial statements of Diamond Resorts Holidays Limited for the year ended 31 December 2007 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 directors' 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 directors' 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.

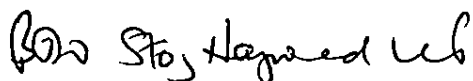
DIAMOND RESORTS HOLIDAYS LIMITED

Report of the independent auditors
for the year ended 31 December 2007 (*Continued*)

Opinion

In our opinion the financial statements

- 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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,
- the information in the Directors' Report is consistent with the financial statements



BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Manchester

3 July 2008

DIAMOND RESORTS HOLIDAYS LIMITED

Profit and loss account for the year ended 31 December 2007

Profit and loss account

	Note	2007 £	2006 £
Turnover	2	2,046,216	4,298,174
Cost of sales		(1,868,858)	(4,832,168)
Gross profit / (loss)		<u>177,358</u>	<u>(533,994)</u>
Administrative expenses		(299,888)	(566,946)
Other operating income		<u>45,971</u>	<u>186,361</u>
Loss on ordinary activities before and after taxation	2/4	<u>(76,559)</u>	<u>(914,579)</u>
Loss for the financial year	11	<u>(76,559)</u>	<u>(914,579)</u>

The results disclosed above all relate to continuing operations

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

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

DIAMOND RESORTS HOLIDAYS LIMITED

Balance sheet for the year ended 31 December 2007

	Note	2007 £	2006 £
Current assets			
Stocks	5	11,347	112,708
Debtors	6	349,306	309,260
Cash at bank and in hand		83,371	763,918
		<u>444,024</u>	<u>1,185,886</u>
Creditors' amounts falling due within one year	7	(348,924)	(1,014,227)
Net current assets		95,100	171,659
Net assets		<u>95,100</u>	<u>171,659</u>
Capital and reserves			
Called up share capital	9	1,050,000	1,050,000
Profit and loss account	10	(954,900)	(878,341)
Equity shareholders funds	11	<u>95,100</u>	<u>171,659</u>

The financial statements were approved by the Board on 25th June 2008

S Crook
Director

Susan Crook

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

DIAMOND RESORTS HOLIDAYS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007

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 following principal accounting policies have been applied

Turnover

Where the company takes ownership of the products or service and is acting as the principal, the full value of services being sold is recognised in the financial statements. Where the company is an agent the company recognises the commission earned.

Stock

Stocks are comprised of flight stocks, and are valued at the lower of costs and net realisable value. Cost is based on the costs of purchase. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

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.

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 Diamond Resorts (Holdings) Ltd, which are publicly available.

DIAMOND RESORTS HOLIDAYS LIMITED

Notes forming part of the financial statements
for the year ended 31 December 2007 (*continued*)

2 Turnover and loss on ordinary activities before taxation

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

The loss on ordinary activities before taxation is stated after charging

	2007 £	As Restated 2006 £
Depreciation - owned assets	-	34
Auditors' remuneration - audit services	6,000	-

The presentation of this in 2006 has been amended to ensure there is consistency with the 2007 note. This has had no impact on the profit or loss for year ended 31 December 2006.

3 Directors and employees

All staff are employed and paid by a fellow group company, Diamond Resorts (Europe) Limited. The directors did not receive any emoluments for services to the company during the year (2006 £Nil).

4 Tax on loss on ordinary activities

There is no taxation (credit)/charge during the year (2006 £Nil).

Factors affecting the tax (credit)/charge for the year

The difference between the actual tax assessed in the year and the expected charge based on the standard rate of corporation tax in the United Kingdom of 30% (2006 30%) is explained as follows:

	2007 £	2006 £
Loss on ordinary activities before taxation	(76,559)	(914,579)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	(22,968)	(274,373)
Effect of		
Expenses not deductible for tax purposes	431	-
Capital allowances for the year in excess of depreciation	-	-
Group relief	22,537	274,373
Trade losses	-	-
Current tax charge for the year	-	-

DIAMOND RESORTS HOLIDAYS LIMITED

Notes forming part of the financial statements
for the year ended 31 December 2007 (*continued*)

5 Stocks

	2007 £	2006 £
Flight stock	11,347	112,708
	<u> </u>	<u> </u>

6 Debtors

	2007 £	2006 £
Trade debtors	32,294	289,916
Prepayments and accrued income	79,618	19,344
Amounts owed by group undertakings	237,394	-
	<u>349,306</u>	<u>309,260</u>

7 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	75,322	523,368
Amounts owed to group undertakings	252,626	479,604
Accruals and deferred income	20,976	11,255
	<u>348,924</u>	<u>1,014,227</u>

8 Deferred taxation

The movement on the unprovided deferred tax asset during the year was as follows

	£
At 1 January 2007	5,274
Charge for the year	600
At 31 December 2007	<u>5,874</u>

The unprovided deferred tax asset comprises the following

	2007 £	2006 £
Accelerated capital allowances	5,874	5,274
	<u>5,874</u>	<u>5,274</u>

DIAMOND RESORTS HOLIDAYS LIMITED

Notes forming part of the financial statements
for the year ended 31 December 2007 (*continued*)

9 Share capital

	2007 £	2006 £
Authorised		
100,000 Ordinary shares of £1 each	1,050,000	1,050,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	1,050,000	1,050,000
	<u> </u>	<u> </u>

10 Profit and loss account

	£
At 1 January 2007	(878,341)
Loss for the financial year	(76,559)
	<u> </u>
At 31 December 2007	(954,900)
	<u> </u>

11 Reconciliation of movements in equity shareholders' funds

	2007 £	2006 £
Loss for the financial year	(76,559)	(914,579)
Issue of share capital	-	1,000,000
Opening equity shareholders' funds	171,659	86,238
	<u> </u>	<u> </u>
Closing equity shareholders' funds	95,100	171,659
	<u> </u>	<u> </u>

12 Ultimate parent undertaking

The directors regard Diamond Resorts Holdings LLC, 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 Diamond Resorts (Holdings) Ltd, whose principle 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

13 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 Diamond Resorts Holdings LLC