

**Sunterra Clubs (Europe) Limited**

Report and Financial Statements

Year Ended

31 December 2005



**BDO Stoy Hayward**  
Chartered Accountants

**Sunterra Clubs (Europe) Limited**

**Annual report and financial statements for the year ended 31 December 2005**

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**Directors**

F C Bauman  
S Crook

**Secretary and registered office**

S Crook  
  
Citrus House  
Caton Road  
Lancaster  
Lancashire  
LA1 3UA

**Company number**

04339551

**Auditors**

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

## **Sunterra Clubs (Europe) Limited**

### **Report of the directors for the year ended 31 December 2005**

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The directors present their report together with the audited financial statements for the year ended 31 December 2005

#### **Results and dividends**

The profit for the year after taxation amounted to £nil (2004 restated loss £nil) The directors do not recommend the payment of a dividend (2004 £nil)

#### **Principal activity**

The company's principal activity is to account for the receipt and distribution of maintenance fees on behalf of the resort timeshare clubs ('clubs') Any surplus or deficit in funding is the responsibility of the individual resort timeshare club and is thus represented by amounts due from or payable to the clubs on the balance sheet The receipt and distribution of funds by the company is done on behalf of the clubs and those amounts are accounted for in the accounts of the individual clubs

As the activities of the company are limited to accounting for the receipt and distribution of funds on behalf of the clubs, the company does not generate income or incur expenditure on its own behalf and consequently does not have a profit or loss for any year

#### **Review of business and future developments**

The company will continue to account for the receipt and distribution of funds on behalf of the clubs on a break-even basis

#### **Prior year adjustment**

The directors, during the preparation of the 2005 financial statements, noted a fundamental error in the recognition of income and expenditure in prior years As stated above, the company does not generate income nor incur costs, and therefore the prior year comparatives have been restated to reflect this The effect of this on the profit and loss account and the balance sheet for the year ended 31 December 2004 is shown in note 2 of the financial statements

#### **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

#### **Directors**

The directors who held office during the year and to the date of approval of these financial statements 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)  
S Crook (appointed 5 October 2007)

None of the directors had any interest in the share capital of the company None of the directors had any disclosable interest in the share capital of the immediate or ultimate parent undertaking

## Sunterra Clubs (Europe) Limited

### Report of the directors for the year ended 31 December 2005 (*Continued*)

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#### Statement of directors' 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.

#### Auditors

Grant Thornton LLP resigned as auditors on 14 December 2006 and BDO Stoy Hayward LLP were subsequently appointed as auditors. They have expressed a willingness to continue in office and a resolution to reappoint them will be proposed at the next general meeting.

#### By order of the Board



S. Crook

Secretary

25th October 2007

## Sunterra Clubs (Europe) Limited

### Report of the independent auditors

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#### **Independent auditors' report to the shareholders of Sunterra Clubs (Europe) Limited**

We have audited the financial statements of Sunterra Clubs (Europe) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with those 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 directors' 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 on this report unless such a person is a person 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 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.

**Sunterra Clubs (Europe) Limited**

**Report of the independent auditors (*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 2005 and of its result for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985

*BDO Stoy Hayward LLP*  
**BDO STOY HAYWARD LLP**  
*Chartered Accountants*  
*and Registered Auditors*  
Manchester

*25 October 2007*

**Sunterra Clubs (Europe) Limited**

**Profit and loss account for the year ended 31 December 2005**

	Note	2005 £'000	As restated 2004 £'000
<b>Turnover</b>		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administrative expenses		-	-
<b>Profit on ordinary activities before taxation</b>		-	-
Tax on profit on ordinary activities		-	-
<b>Result for the financial year</b>		-	-

**Statement of total recognised gains and losses for the year ended 31 December 2005**

	Note	2005 £'000	As restated 2004 £'000
<b>Result for the financial year</b>		-	-
<b>Total recognised gains and loss relating to the financial year</b>		-	-
Prior year adjustment	2	(238)	
<b>Total gains and losses recognised since last annual report</b>		(238)	

The results disclosed above all relate to continuing operations

The notes on pages 7 to 11 form part of these financial statements.

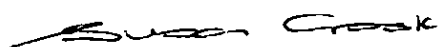
**Sunterra Clubs (Europe) Limited**

**Balance sheet for the year ended 31 December 2005**

	Note	2005 £'000	As restated 2004 £'000
<b>Current assets</b>			
Debtors	6	21,042	14,827
Cash at bank and in hand	7	3,218	2,086
		<u>24,260</u>	<u>16,913</u>
<b>Creditors: amounts falling due within one year</b>	8	(24,260)	(16,913)
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	-	-
<b>Shareholders' funds</b>	11	<u>-</u>	<u>-</u>

The financial statements were approved by the Board and authorised for issue on 25<sup>th</sup> October  
2007

S Crook  
Director



The notes on pages 7 to 11 form part of these financial statements.



**Sunterra Clubs (Europe) Limited**

**Notes forming part of the financial statements for the year ended 31 December 2005**

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**1 Accounting policies**

*Basis of preparation*

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

*Profit and loss*

The company has no reported income or expenditure, as its principal activity is the receipt and distribution of funds on behalf of resort timeshare clubs. The clubs account for the income and expenditure in their individual accounts.

*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 are publicly available.

# Sunterra Clubs (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

### 2 Prior year adjustment

As described in the Report of the directors, the prior year comparatives have been restated to correct an error in the recognition of income and expenditure noted during the preparation of the 2005 financial statements. The impact of this correction on the net assets at 31 December 2004 and on the loss on ordinary activities before tax for the year ended 31 December 2004 is shown below

<b>Profit and loss account</b>	Original as at 31 December 2004 £'000	Prior year adjustment and restatement £'000	As restated as at 31 December 2004 £'000
<b>Turnover</b>	15,305	(15,305)	-
<b>Cost of sales</b>	(15,349)	15,349	-
<b>Gross (loss)</b>	(44)	44	-
<b>Administrative expenses</b>	-	-	-
<b>Operating (loss)</b>	(44)	44	-
<b>Net interest</b>	-	-	-
<b>(Loss) on ordinary activities before tax</b>	(44)	44	-
<b>Tax on (loss) on ordinary activities</b>	-	-	-
<b>(Loss) for the financial year</b>	(44)	44	-
<b>Balance sheet at 31 December 2004</b>	£'000	£'000	£'000
<b>Current Assets</b>			
Debtors	20,202	(5,375)	14,827
Cash at bank and in hand	2,086	-	2,086
	22,288	(5,375)	16,913
<b>Creditors' amounts falling due within one year</b>	(22,050)	5,137	(16,913)
<b>Net assets</b>	238	(238)	-
<b>Capital and reserves</b>			
Share capital	-	-	-
Profit and loss account	238	(238)	-
<b>Shareholders' funds</b>	238	(238)	-

## Sunterra Clubs (Europe) Limited

### Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

#### Prior year adjustment (*continued*)

In prior years the company disclosed the maintenance fees received and distributed by it on behalf of the resort timeshare clubs as turnover and cost of sales respectively and the surplus or deficit arising in each year was taken to the company's reserves. The company has no trading activity of its own and its only purpose is to account for the receipt and distribution of maintenance fees on behalf of the resort timeshare clubs. Any surpluses or deficits should have been treated as over or under funding of the clubs and recorded as a movement on amounts due from or payable to the clubs. The impact of this fundamental error on the comparative figures for 2004 is that net assets at 31 December 2004 have been reduced by £238,000 and the loss on ordinary activities before tax for the year ended 31 December 2004 has been reduced by £44,000.

The effect of the adjustment to the 2004 financial statements on the reserves brought forward is summarised in note 10.

#### 3 Operating profit/(loss)

The operating profit/(loss) is stated after charging

	2005 £'000	2004 £'000
Auditors' remuneration - audit services*	-	-

\* The audit fee is borne by the parent entity

#### 4 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 (2004: £nil).

#### 5 Tax on profit/(loss) on ordinary activities

As the company does not trade there was no corporation tax liability or asset at 31 December 2005 or 31 December 2004.

#### 6 Debtors

	2005 £'000	2004 £'000
Amounts owed by group undertakings	21,042	14,827
	<u>21,042</u>	<u>14,827</u>

**Sunterra Clubs (Europe) Limited**

**Notes forming part of the financial statements for the year ended 31 December 2005 (continued)**

**7 Cash and bank in hand**

Cash and bank in hand comprises restricted cash balances held on behalf of the clubs. None of the amounts held are available for use by the company.

**8 Creditors : amounts falling due within one year**

	2005 £'000	As restated 2004 £'000
Bank overdraft	99	-
Amounts owed to group undertakings	20,662	13,921
Amounts due to clubs	3,499	2,992
	<u>24,260</u>	<u>16,913</u>

The bank overdraft is secured by cross guarantees with group companies.

**9 Share capital**

	2005 £'000	2004 £'000
<b>Authorised</b>		
100,000 Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	-	-
	<u>          </u>	<u>          </u>

**10 Profit and loss account**

	£'000
At 1 January 2005 as previously stated	238
Prior year adjustment (note 2)	(238)
At 1 January 2005 as restated	<u>-</u>
Result for the financial year	-
At 31 December 2005	<u>-</u>

## Sunterra Clubs (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

### 11 Reconciliation of movements in shareholders funds

	2005 £'000	As restated 2004 £'000
Result for the financial year	-	-
Net movement in shareholders' funds	-	-
Opening shareholders funds*	-	-
Closing shareholders funds	-	-

\* Previously £238,000, however reduced by prior year adjustment of £238,000 (see note 2)

### 12 Related party transactions

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

### 13 Capital commitments

There were no capital commitments at 31 December 2005 or 31 December 2004

### 14 Ultimate parent undertaking

At the balance sheet date, Sunterra Corporation, a company incorporated in the USA, was 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 directors regard 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

### 15 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

### 16 Other financial commitments

The company is party to a cross guarantee, created 16 April 2007, which secures the revolving credit facility provided by Sunterra Corporation, the ultimate parent company at the balance sheet date, to its subsidiary companies. The amount outstanding at the year end was £38,450,000 (2004: £35,309,000). The debenture provides a fixed and floating charge over the undertaking and all the assets of the company.