

**Diamond Resorts Clubs
(Europe) Limited**

(formerly Sunterra Clubs
(Europe) Limited)

Report and Financial Statements

Year Ended

31 December 2007



BDO Stoy Hayward
Chartered Accountants

DIAMOND RESORTS CLUBS (EUROPE) LIMITED

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

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Directors

M M Kandel
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

Diamond Resorts Clubs (Europe) 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

Results and dividends

The loss for the year after taxation amounted to £nil (2006 £nil) The directors do not recommend the payment of a dividend (2006 £Nil)

Principal activity

On 12 November 2007, by special resolution, the company changed its name to Diamond Resorts Clubs (Europe) Limited

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 nor incur expenditure on its own behalf and consequently does not have a profit and loss for any year

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 M Kandel (appointed 7 January 2008)
S Crook (appointed 5 October 2007)

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

Diamond Resorts Clubs (Europe) Limited

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

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.

This report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

S Crook
Director



Date 17th July 2008

Diamond Resorts Clubs (Europe) Limited

Report of the independent auditors

Independent auditors' report to the shareholders of Diamond Resorts Clubs (Europe) Limited (formerly Sunterra Clubs (Europe) Limited)

We have audited the financial statements of Diamond Resorts Clubs (Europe) Limited (formerly Sunterra Clubs (Europe) Limited) for the year ended 31 December 2007 which comprise the principal accounting policies, 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 the 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 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 opinion

We conducted our audit in accordance with International Standards of 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.

Diamond Resorts Clubs (Europe) Limited

Report of the independent auditors

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 affairs of the company as at 31 December 2007 and of the result of the company for the year then ended,
- 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

25 July 2008

Diamond Resorts Clubs (Europe) Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover		-	-
Cost of sales		-	-
Gross profit		<u>-</u>	<u>-</u>
Administrative expenses		-	-
Operating result		<u>-</u>	<u>-</u>
Interest receivable and similar income		-	-
Result on ordinary activities before taxation	2	<u>-</u>	<u>-</u>
Tax on result on ordinary activities	4	-	-
Result for the financial year		<u><u>-</u></u>	<u><u>-</u></u>

The results disclosed above all relate to continuing operations

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

The notes on pages 7 to 9 form part of these financial statements

Diamond Resorts Clubs (Europe) Limited

Balance sheet As at 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Current assets					
Debtors	5	33,913		26,228	
Cash at bank and in hand	6	12		3,115	
		<u> </u>	33,925	<u> </u>	29,343
Creditors' amounts falling due within one year	7		(33,925)		(29,343)
Net assets			<u> </u>	<u> </u>	<u> </u>
			<u> </u>	<u> </u>	<u> </u>
Capital and reserves					
Called up share capital	8		-		-
Profit and loss account	9		-		-
Equity shareholders' funds	10		<u> </u>	<u> </u>	<u> </u>
			<u> </u>	<u> </u>	<u> </u>

The financial statements were approved by the Board on 17th July 2008

Susan Crook

S Crook
Director

The notes on pages 7 to 9 form part of these financial statements

Diamond Resorts Clubs (Europe) Limited

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

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 and 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 Diamond Resorts (Holdings) Limited, which are publicly available.

2 Operating result

The result on ordinary activities before taxation is stated after charging

	2007 £'000	2006 £'000
Auditors' remuneration - audit services*	-	-

*The audit fee is borne by the parent entity

3 Directors and employees

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

4 Tax on result from ordinary activities

As the company does not trade there was no corporation tax liability or asset at 31 December 2007 or 31 December 2006.

5 Debtors

	2007 £'000	2006 £'000
Amounts owed by group undertakings	33,913	26,228

Diamond Resorts Clubs (Europe) Limited

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

6 Cash at Bank and in hand

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

7 Creditors : amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	31,514	28,059
Amounts due to clubs	2,411	1,284
	33,925	29,343

8 Share capital

	2007 £'000	2006 £'000
Authorised		
100,000 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 Ordinary share of £1	-	-

9 Reserves

	£'000
At 1 January 2007	-
Profit for the financial year	-
At 31 December 2007	-

10 Reconciliation of movements in equity shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	-	-
Opening equity shareholders' funds	-	-
Closing equity shareholders' funds	-	-

11 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 Diamond Resorts Holdings LLC.

Diamond Resorts Clubs (Europe) Limited

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

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) Limited, whose principal place of business is Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA. The consolidated accounts of the group can be obtained from Companies House