

# RHI LEISURE LLP

Members' report &  
Financial statements  
for the year ended

31<sup>st</sup> December 2007

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COMPANIES HOUSE

# RHI LEISURE LLP

## Company Information

|                     |                                                                                                    |
|---------------------|----------------------------------------------------------------------------------------------------|
| Registration Number | 0C314521                                                                                           |
| Members             | International Tourism Holdings Limited<br>Odyssey Resort Group Limited                             |
| Registered Office   | 7 Durweston Street<br>London<br>England                                                            |
| Auditors            | Crowe Morgan<br>Chartered Accountants<br>8 St George's Street<br>Douglas<br>Isle of Man<br>IM1 1AH |

# RHI LEISURE LLP

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**Members Information**  
**For the year ended 31<sup>st</sup> December 2007**

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|                             |                                                                                                                                                                |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose                     | The purpose of the LLP is to carry on the business of owning, operating and managing a points-based leisure scheme                                             |
| The LLP                     | The LLP was formed under a Limited Liability Partnership agreement dated 2 <sup>nd</sup> August 2005 and is registered under the Limited Partnership Act 2000. |
| Principal place of Business | Isle of Man                                                                                                                                                    |
| Administrators              | IFG International Limited<br>International House<br>Castle Hill<br>Victoria Road<br>Douglas<br>Isle of Man IM2 4RB                                             |
| Independent Auditors        | Crowe Morgan<br>Chartered Accountants<br>8 St George's Street<br>Douglas<br>Isle of Man<br>IM1 1AH                                                             |
| Manager                     | International Tourism Holdings Limited                                                                                                                         |

## **General Members' report For the year ended 31<sup>st</sup> December 2007**

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The Members present their report and the audited financial statements of the LLP for the year ended 31<sup>st</sup> December 2007.

### **Incorporation**

RHI Leisure LLP "the LLP" was incorporated under the Limited Liability Partnership Act 2000 on 2<sup>nd</sup> August 2005.

### **Members**

The designated members during the year are as follows::

International Tourism Holdings Limited  
Odyssey Resort Group Limited

### **Statement of Members' Responsibilities in respect of the financial statements**

The members are responsible for preparing the Annual Report and the financial statements in accordance with the applicable law and International Accounting Standards.

The Limited Liability Partnerships (LLP) Regulations 2001 made under the Limited Liability Partnerships Act 2000 requires the members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing those financial statements the members are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

Under the Limited Liability Partnerships Regulations 2001, the members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with those regulations. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

### **Principal Activity**

The principal activity of the LLP is to carry on the business of owning, operating and managing a points-based leisure scheme.

### **Foreign exchange risk**

The LLP is exposed to movement in foreign exchange rates as a result of transactions entered into by its subsidiaries. However, the members do not consider that the LLP is exposed to significant foreign exchange risk. Should the need arise the members will consider the need to protect the LLP's exposure by using the most cost efficient method available to the LLP to minimise the risk and cost to the LLP.

**General Members' report  
For the year ended 31<sup>st</sup> December 2007**

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**Interest rate risk**

The LLP's operating activities are currently fully funded through existing cash resources. The members do not have any plans to fund future operations from bank or other borrowings.

**Members' drawings and the subscription and repayment of members' capital**

The members participate fully in the LLP's profits, share the risks and subscribe to the LLP's capital profit or loss allocations as disclosed in note 14.

Members are permitted to receive drawings from the LLP to the extent of the profits allocated to them. The timing and amount of those drawings depends upon the level of activity within the LLP and the overriding cash requirements of the business.

An individual member's capital requirement is linked to the financial statements of the LLP. No interest is due on capital accounts.

Members' subscriptions and introduction of capital are disclosed in the Statement of Equity on page 10.

**Review of business and future developments**

The managing member considers the financial position as at 31<sup>st</sup> December 2007 and the future outlook to be satisfactory.

**Provision of Information to Auditors**

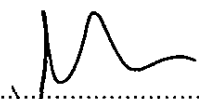
Each of the persons who are members at the time when the report is approved has confirmed that

- so far as the member is aware, there is no relevant audit information of which the limited liability partnership's auditors are unaware, and
- each of the members have taken all the steps that they ought to have taken as a member to be aware of any information needed by the LLP's auditors in connection with preparing their report and to establish that the auditors are aware of that information.

**Auditors**

The auditors, Crowe Morgan Chartered Accountants, have indicated their willingness to continue in office and offer themselves for re-appointment. A resolution proposing their re-appointment will be presented at a meeting of the members.

This report was approved by the members on 12th January 2008 and signed on their behalf.



Director  
International Tourism Holdings Limited

**Independent Auditors' report to the  
Members of RHI Leisure LLP**

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We have audited the financial statements of RHI Leisure LLP ("the LLP") for the year ended 31<sup>st</sup> December 2007 which comprises the Balance Sheet, the consolidated Balance Sheet, the consolidated Income Statement, the consolidated Statement of Changes in Equity, the consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the LLP's members, as a body, in accordance with Section 235 of the Companies Act 1985 (as applied to limited liability partnerships by Regulation 3 of the Limited Liability Partnerships Regulations 2001). Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

We did not audit the financial statements of RH Financial Limited, Vacation Services International Limited, Resort Interval Inc, Worldwide Tourism Services N.V, Holiday Club Management Limited, Central Holdings Limited and Royal Holiday Club S.A. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these aforementioned consolidated subsidiaries, is based solely on the reports of the other auditors.

**Respective responsibilities of members and auditors**

The members' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Accounting Standards are set out in the Statement of Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the 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 (as applied to limited liability partnerships by Regulation 3 of the Limited Liability Partnerships Regulations 2001). We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the LLP has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

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

**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 LLP'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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards – Provision Available for Small Entities, in the circumstances set out in note 17 to the financial statements.

## Independent Auditors' report to the Members of RHI Leisure LLP

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### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the partnership's and group's affairs as at 31<sup>st</sup> December 2007 and of the group's profit for the year then ended, and;
- have been properly prepared in accordance the Companies Act 1985 (as applied to Limited Liability Partnerships by Regulation 3 of the Limited Liability Partnership Regulations 2001).

In our opinion the information given in the members' report is consistent with the financial statements.

8 St. George's Street  
Douglas,  
Isle of Man,  
IM1 1AH

Date: 12<sup>th</sup> January 2009



Crowe Morgan  
Chartered Accountants  
Registered Auditors

**Consolidated income statement  
For the year ended 31<sup>st</sup> December 2007**

|                                                                           | Note | 2007<br>US\$     | Restated<br>17 Months<br>2006<br>US\$ |
|---------------------------------------------------------------------------|------|------------------|---------------------------------------|
| <b>CONTINUING OPERATIONS</b>                                              |      |                  |                                       |
| Revenue                                                                   | 1(h) | 50,920,902       | 73,339,172                            |
| Administrative expenses                                                   |      | (45,447,557)     | (60,257,543)                          |
| <b>OPERATING PROFIT</b>                                                   |      | <b>5,473,345</b> | <b>13,081,629</b>                     |
| Interest expenses                                                         |      | (1,579,287)      | (3,879,146)                           |
| Interest income                                                           |      | 532,404          | 1,554,235                             |
| Other income                                                              |      | 234,644          | 681,831                               |
| Exceptional item                                                          | 21   | 4,981,712        | -                                     |
| <b>Profit for the year from continuing<br/>operations before taxation</b> |      | <b>9,642,818</b> | <b>11,438,549</b>                     |
| Taxation                                                                  | 3    | (252,607)        | (6,492)                               |
| <b>Profit for the year from continuing<br/>operations after taxation</b>  |      | <b>9,390,211</b> | <b>11,432,057</b>                     |
| <b>DISCONTINUED OPERATIONS</b>                                            |      |                  |                                       |
| (Loss)/ profit for the year from discontinued operation                   | 23   | (1,459,522)      | 789,877                               |
| <b>Profit for the year</b>                                                |      | <b>7,930,689</b> | <b>12,221,934</b>                     |
| <b>Attributable to:</b>                                                   |      |                  |                                       |
| Equity holders of the parent                                              |      | 6,299,047        | 10,146,783                            |
| Minority interest in consolidated subsidiary                              | 22   | 1,631,642        | 2,075,151                             |
|                                                                           |      | <b>7,930,689</b> | <b>12,221,934</b>                     |

The notes on pages 12 to 24 form part of these financial statements.

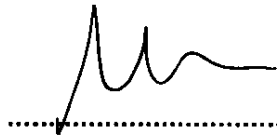
**Consolidated balance sheet**  
**For the year ended 31<sup>st</sup> December 2007**

|                                                     | Note | 2007<br>US\$       | Restated<br>2006<br>US\$ |
|-----------------------------------------------------|------|--------------------|--------------------------|
| <b>Assets</b>                                       |      |                    |                          |
| <b>Non-current assets</b>                           |      |                    |                          |
| Property, plant and equipment                       | 4    | 5,408,349          | 5,620,767                |
| Investments in associates                           | 6    | 40,583,626         | 33,192,977               |
| <b>Total non-current assets</b>                     |      | <b>45,991,975</b>  | <b>38,813,744</b>        |
| <b>Current assets</b>                               |      |                    |                          |
| Inventories                                         |      | -                  | 16,194                   |
| Trade and other receivables                         | 7    | 28,359,076         | 22,268,706               |
| Loans receivable from related parties               | 9    | 8,889,565          | 22,191,710               |
| Occupation rights (net)                             | 1(d) | 22,735,802         | 16,155,296               |
| Other assets                                        | 8    | 892,102            | 1,006,356                |
| Marketable securities                               | 1(m) | -                  | 5,279,553                |
| Cash and cash equivalents                           | 1(f) | 24,589,915         | 32,349,851               |
| <b>Total current assets</b>                         |      | <b>85,466,460</b>  | <b>99,267,668</b>        |
| <b>Total assets</b>                                 |      | <b>131,458,435</b> | <b>138,081,412</b>       |
| <b>Equity and liabilities</b>                       |      |                    |                          |
| <b>Capital and reserves</b>                         |      |                    |                          |
| Members capital                                     |      | 46,716,321         | 46,716,321               |
| Reserves                                            |      | 13,642,134         | 10,905,281               |
| Equity attributable to equity holders of the parent |      | 60,358,455         | 57,621,602               |
| Minority interest                                   | 22   | 6,813,922          | 6,402,261                |
| <b>Total equity</b>                                 |      | <b>67,172,377</b>  | <b>64,023,863</b>        |
| <b>Non-current liabilities</b>                      |      |                    |                          |
| Long term loans                                     | 12   | 800,116            | 8,742,210                |
| <b>Total non-current liabilities</b>                |      | <b>800,116</b>     | <b>8,742,210</b>         |
| <b>Current liabilities</b>                          |      |                    |                          |
| Trade and other payables                            | 10   | 8,654,622          | 9,900,623                |
| Loans payable to related parties                    | 9    | 15,508,153         | 11,153,294               |
| Tax liabilities                                     |      | -                  | 6,690                    |
| Other current liabilities                           | 11   | 39,323,167         | 44,254,732               |
| <b>Total current liabilities</b>                    |      | <b>63,485,942</b>  | <b>65,315,339</b>        |
| <b>Total liabilities</b>                            |      | <b>64,286,058</b>  | <b>74,057,549</b>        |
| <b>Total equity and liabilities</b>                 |      | <b>131,458,435</b> | <b>138,081,412</b>       |

**Consolidated balance sheet**  
**For the year ended 31<sup>st</sup> December 2007 (Continued)**

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The financial statements were approved by the Members on .....12th January 2009.....  
and signed on their behalf by:



.....  
**Designated member**  
International Tourism Holdings Ltd.



.....  
**Designated member**  
Odyssey Resort Group Ltd.

**Balance sheet**  
**As at 31<sup>st</sup> December 2007**

|                                             | Note | 2007<br>US\$      | Restated<br>2006<br>US\$ |
|---------------------------------------------|------|-------------------|--------------------------|
| <b>Assets</b>                               |      |                   |                          |
| <b>Non-current assets</b>                   |      |                   |                          |
| Investment in subsidiaries                  | 5    | 46,796,770        | 44,096,770               |
| Loans receivable from subsidiary investment |      | 1,408             | 2,701,408                |
| <b>Total assets</b>                         |      | <b>46,798,178</b> | <b>46,798,178</b>        |
| <b>Equity and liabilities</b>               |      |                   |                          |
| <b>Capital and reserves</b>                 |      |                   |                          |
| Members capital                             |      | 46,716,321        | 46,716,321               |
| Reserves                                    |      | (289,858)         | (86,654)                 |
| <b>Total equity</b>                         |      | <b>46,426,463</b> | <b>46,629,667</b>        |
| <b>Current liabilities</b>                  |      |                   |                          |
| Trade and other payables                    | 10   | 96,218            | 53,010                   |
| Loans payable to subsidiary investments     |      | 275,497           | 115,501                  |
| <b>Total current liabilities</b>            |      | <b>371,715</b>    | <b>168,511</b>           |
| <b>Total liabilities</b>                    |      | <b>371,715</b>    | <b>168,511</b>           |
| <b>Total equity and liabilities</b>         |      | <b>46,798,178</b> | <b>46,798,178</b>        |

The financial statements were approved by the Members on 12th January 2009  
 and signed on their behalf by:

  
 .....  
 Designated member  
 International Tourism Holdings Ltd.

  
 .....  
 Designated member  
 Odyssey Resort Group Ltd.

**Consolidated statement of changes in equity**  
**For the year ended 31<sup>st</sup> December 2007**

|                                           | Note | Members<br>Capital<br>US\$ | Reserves<br>US\$  | Total<br>US\$     | Minority<br>Interest<br>US\$ | Total<br>Equity<br>US\$ |
|-------------------------------------------|------|----------------------------|-------------------|-------------------|------------------------------|-------------------------|
| Balance at 2 <sup>nd</sup> August 2005    |      | -                          | -                 | -                 | -                            | -                       |
| <i>Changes in Equity for 2006</i>         |      |                            |                   |                   |                              |                         |
| Members capital paid                      |      | 177                        | -                 | 177               | -                            | 177                     |
| Other reserves introduced                 |      | 49,768,494                 | -                 | 49,768,494        | 317,179                      | 50,085,673              |
| Foreign currency translation difference   |      | -                          | (6,751)           | (6,751)           | -                            | (6,751)                 |
| Loss on sale of subsidiary                |      | -                          | (589,195)         | (589,195)         | -                            | (589,195)               |
| Profit for the period                     |      | -                          | 8,347,291         | 8,347,291         | 7,776,977                    | 16,124,268              |
| Balance at 31 <sup>st</sup> December 2006 |      |                            |                   |                   |                              |                         |
| - as originally stated                    |      | 49,768,671                 | 7,751,345         | 57,520,016        | 8,094,156                    | 65,614,172              |
| - Restatements                            | 24   | (3,052,350)                | 3,153,936         | 101,586           | (1,691,895)                  | (1,590,309)             |
| - As restated                             |      | 46,716,321                 | 10,905,281        | 57,621,602        | 6,402,261                    | 64,023,863              |
| <i>Changes in Equity for 2007</i>         |      |                            |                   |                   |                              |                         |
| Foreign currency translation differences  |      | -                          | (137,849)         | (137,849)         | -                            | (137,849)               |
| Gain on sale of subsidiary                | 23   | -                          | 3,413,001         | 3,413,001         | -                            | 3,413,001               |
| Loss on sale of subsidiary                | 23   | -                          | (6,837,346)       | (6,837,346)       | (1,219,981)                  | (8,057,327)             |
| Profit for the year                       |      | -                          | 6,299,047         | 6,299,047         | 1,631,642                    | 7,930,689               |
| Balance at 31 <sup>st</sup> December 2007 |      | <b>46,716,321</b>          | <b>13,642,134</b> | <b>60,358,455</b> | <b>6,813,922</b>             | <b>67,172,377</b>       |

**Consolidated cash flow statement**  
**For the year ended 31<sup>st</sup> December 2007**

|                                                              | Note        | 2007<br>US\$       | Restated<br>2006<br>US\$ |
|--------------------------------------------------------------|-------------|--------------------|--------------------------|
| <b>Cash flows from operating activities</b>                  |             |                    |                          |
| Group profit from operations                                 |             | 7,930,689          | 12,221,934               |
| Adjustments for:                                             |             |                    |                          |
| Depreciation – property, plant and equipment                 |             | 785,939            | 626,358                  |
| Negative goodwill released to income                         | 21          | (4,981,712)        | -                        |
| Equity income of associated company                          |             | (5,362,918)        | (15,049,121)             |
| Interest revenue recognised in profit or loss                |             | (532,404)          | (1,554,235)              |
| Interest expenses recognised in profit or loss               |             | 1,579,287          | 3,879,146                |
| Taxation expense recognised in profit or loss                |             | 252,607            | 6,492                    |
| Operating cash flows before movements in working capital     |             | (328,512)          | 130,574                  |
| (Increase)/ decrease in inventories                          |             | 16,194             | (16,194)                 |
| (Increase)/ decrease in trade and other receivables          | 7           | (6,090,370)        | (22,268,706)             |
| (Increase)/ decrease in occupational rights                  |             | (6,580,506)        | (16,155,296)             |
| (Increase)/ decrease in other assets                         | 8           | 114,254            | (1,006,356)              |
| (Increase)/ decrease in marketable securities                |             | 5,279,553          | (5,279,553)              |
| Increase/ (decrease) in trade and other payables             | 10          | (1,246,001)        | 9,900,623                |
| Increase/ (decrease) in tax liabilities                      |             | (6,690)            | 6,690                    |
| Increase/ (decrease) in other current liabilities            | 11          | (4,931,565)        | 44,254,732               |
| Increase/ (decrease) in amounts due from related parties     | 9           | 17,657,004         | (11,038,416)             |
| Cash generated from/ (used in) operations                    |             | 3,883,361          | (1,471,902)              |
| Interest paid                                                |             | (1,579,287)        | (3,879,146)              |
| Taxation paid                                                |             | (252,607)          | (6,492)                  |
| <b>Net cash generated by/ (used in) operating activities</b> |             | <b>2,051,467</b>   | <b>(5,357,540)</b>       |
| <b>Cash flows from Investment activities</b>                 |             |                    |                          |
| Interest received                                            |             | 532,404            | 1,554,235                |
| Payments to acquire property, plant and equipment            |             | (393,390)          | (6,777,525)              |
| Proceeds from disposal of subsidiary                         | 23          | 2,444,458          | -                        |
| Loss from disposal of subsidiary                             | 23          | (7,088,783)        | -                        |
| Cash in subsidiary acquired                                  |             | 2,773,851          | 34,195,045               |
| <b>Net cash (used in)/ generated by investing activities</b> |             | <b>(1,731,460)</b> | <b>28,971,755</b>        |
| <b>Cash flows from financing activities</b>                  |             |                    |                          |
| Members' capital paid                                        |             | -                  | 177                      |
| Proceeds from borrowings                                     | 12          | (7,942,094)        | 8,742,210                |
| <b>Net cash (used in)/ generated by financing activities</b> |             | <b>(7,942,094)</b> | <b>8,742,387</b>         |
| <b>Net (decrease)/ increase in cash and cash equivalents</b> |             | <b>(7,622,087)</b> | <b>32,356,602</b>        |
| Cash and cash equivalents at the beginning of the period     |             | 32,349,851         | -                        |
| Net foreign exchange difference                              |             | (137,849)          | (6,751)                  |
| <b>Cash and cash equivalents at the end of the period</b>    | <b>1(f)</b> | <b>24,589,915</b>  | <b>32,349,851</b>        |

The notes on pages 12 to 24 form part of these financial statements.

## Notes to the financial statements

### For the year ended 31<sup>st</sup> December 2007

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#### 1. Accounting policies

##### a) Basis of preparation of financial statements

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.

The consolidated financial statements for RHI Leisure LLP are prepared under International Financial Reporting Standards. The majority of the subsidiaries of RHI Leisure LLP have prepared their accounts in conformity with United States of America ("US GAAP"). Any difference in the treatment of items in the consolidated financial statements of RHI Leisure LLP as a result of the use of International Financial Reporting Standards ("IFRS") instead of US GAAP has been recorded in the notes to these accounts.

##### b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the LLP and its significant direct and indirect subsidiaries made up to 31<sup>st</sup> December each year. A company is a subsidiary if the LLP directly or indirectly controls the financial and operating policies of the respective enterprise.

All significant inter-company transactions and balances between group companies are eliminated on consolidation.

##### c) Property, plant and equipment - depreciation

Property, plant and equipment are stated at acquisition cost less depreciation and any provision for impairment. Depreciation is computed using the straight line method based on an estimated useful life of the related asset. The periods generally applicable are:

|                        | Average useful life |
|------------------------|---------------------|
| Building               | 10 years            |
| Leasehold Improvements | 10 years            |
| Building Improvements  | 5 – 10 years        |
| Furniture and Fixtures | 7 years             |
| Computer Equipment     | 5 years             |
| Vehicles               | 3 years             |

Worldwide Tourism Services departed from the Group policy and computed depreciation on vehicles over an estimated useful life of 5 years.

Vacation Services International Limited departed from the Group policy and computed depreciation on buildings over an estimated useful life of 20 years.

##### d) Occupational Rights

The occupation rights are registered in accordance with their book value at the assignment date. The amortisation of the occupation rights is registered in accordance with the duration of the agreements made with the resorts for the weekly units, which usually is at 30 years.

##### e) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. Paid in capital is translated from the local currency using historical rates. The average exchange rate for the period is used for translating revenues and expenses. All exchange differences are dealt with in the statement of equity.

**Notes to the financial statements  
For the year ended 31<sup>st</sup> December 2007**

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**1. Accounting policies (continued)****f) Cash Equivalents**

The Group considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**g) Impairment of assets**

The carrying value of assets is reviewed annually to assess whether there is any indication of impairment. An impairment loss is recognised in the income statement whenever the recoverable amount or fair value of an asset is less than its carrying amount.

**h) Revenue Recognition**

**Holiday Club Management Company Limited** – The Company recognises its revenue from sales of memberships according to the length of the term of the membership for thirty years, based on the contractual terms.

The Company recognises a deferred liability for maintenance payments when received from members, which are normally paid in advance during the last quarter of the previous year of usage. The related revenue is recognised during the following year when the membership is used and the service is provided to the customer.

**Resort Interval Inc** - The Company recognises membership sales net of related membership costs when the customer has made a 15% down payment and the period during which the customer may obtain a refund for the cancellation of the membership (usually 7 days subsequent to the receipt of the 15% down payment) has expired.

**Worldwide Tourism Services** – Revenues are recognised when the services are performed or contractual obligations are met.

**Vacation Services International Ltd** – The Company recognises revenues when the costs of maintenance of intervals are transferred to its related party.

**i) Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

**j) Minority Interests**

Minority interests are attributable to Central Holdings Limited and a subsidiary of Resort Interval Inc at 31 December 2007. The minority interests at 31 December 2007 is shown in Note 22 to the financial statements.

**Notes to the financial statements**  
**For the year ended 31<sup>st</sup> December 2007**

**1. Accounting policies (continued)**

**k) Income Tax**

**Holiday Club Management Company Limited** – The Company is not subject to income tax as revenues are not taxable in the Grand Cayman Island.

**Resort Interval Inc** – Panamanian tax law indicates that companies incorporated in Panama but which earn revenues in foreign countries, do not incur income tax. Accordingly, Resort Interval Inc is not subject to any income tax. However, its subsidiaries in the Dominican Republic, Puerto Rico and Uruguay are subject to income tax.

**Vacation Services International Ltd** – The Company is not subject to income tax as revenues are not taxable in the Grand Cayman Islands.

**l) Deferred Income Taxes**

The Group recognises deferred income tax assets and liabilities for the future consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, measured using enacted rates. The effects of changes in the statutory rates are accounted for in the period that includes the enactment date. Deferred income tax assets are also recognised for the estimated future effects of tax loss carry forwards and asset tax credit carry forwards. A valuation allowance is applied to reduce deferred income tax assets to the amount of future net benefit that is more likely than not to be realised.

**m) Marketable Securities**

Marketable securities represent highly liquid equity instruments purchased with a remaining maturity date at purchase of between 90 and 360 days and are stated at fair value. Such securities are classified as trading securities, as the Company's intent is to sell them in the near term. Unrealised holding gains and losses are included within earnings in the year incurred.

**2. Operating Profit**

|                                               | 2007          | 2006          |
|-----------------------------------------------|---------------|---------------|
|                                               | \$            | \$            |
| The operating profit is stated after charging |               |               |
| Auditors' remuneration                        | <u>28,422</u> | <u>29,350</u> |

**3. Taxation**

No provision has been made for taxation in these accounts. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP, which will be assessed on the individual members and not the LLP itself.

The balances included under the consolidated income statement and consolidated balance sheets relate to consolidated subsidiaries.

**Notes to the financial statements**  
**For the year ended 31<sup>st</sup> December 2007**

**4. Property, plant and equipment**

|                                   | Land and<br>Buildings<br>US\$ | Leasehold<br>Improvements<br>US\$ | Fixings &<br>Fittings<br>US\$ | Vehicles<br>US\$ | Computer<br>Equipment<br>US\$ | Total<br>US\$    |
|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|------------------|-------------------------------|------------------|
| <b>Cost</b>                       |                               |                                   |                               |                  |                               |                  |
| At 1 <sup>st</sup> January 2007   | 2,249,999                     | 664,321                           | 3,358,465                     | 79,853           | 252,633                       | 6,605,271        |
| Disposal                          | -                             | -                                 | -                             | -                | -                             | -                |
| Additions                         | 834,558                       | 606,199                           | 118,708                       | 32,295           | 14,028                        | 393,390          |
| 31 <sup>st</sup> December 2007    | <u>3,084,557</u>              | <u>58,122</u>                     | <u>3,477,173</u>              | <u>112,148</u>   | <u>266,661</u>                | <u>6,998,661</u> |
| <b>Depreciation</b>               |                               |                                   |                               |                  |                               |                  |
| At 1 <sup>st</sup> January 2007   | 233,680                       | 18,426                            | 462,621                       | 70,366           | 199,411                       | 984,504          |
| Charge for the year               | 349,653                       | -                                 | 243,120                       | 8,176            | 23,285                        | 624,234          |
| On disposal                       | -                             | (18,426)                          | -                             | -                | -                             | (18,426)         |
| At 31 <sup>st</sup> December 2007 | <u>583,333</u>                | <u>-</u>                          | <u>705,741</u>                | <u>78,542</u>    | <u>222,696</u>                | <u>1,590,312</u> |
| <b>Net book value</b>             |                               |                                   |                               |                  |                               |                  |
| 31 <sup>st</sup> December 2007    | <u>2,430,528</u>              | <u>128,818</u>                    | <u>2,771,432</u>              | <u>33,606</u>    | <u>43,965</u>                 | <u>5,408,349</u> |
| <b>Net book value</b>             |                               |                                   |                               |                  |                               |                  |
| 31 <sup>st</sup> December 2006    | <u>2,016,319</u>              | <u>645,895</u>                    | <u>2,895,844</u>              | <u>9,487</u>     | <u>53,222</u>                 | <u>5,620,767</u> |

The LLP has no property, plant or equipment.

**5. Investments in subsidiary companies**

|                                                        | Net assets<br>acquired<br>US\$ | Additional<br>investment<br>in year<br>US\$ | Impairment<br>of<br>Investment<br>US\$ | Provision for<br>liability<br>US\$ | Total<br>US\$     |
|--------------------------------------------------------|--------------------------------|---------------------------------------------|----------------------------------------|------------------------------------|-------------------|
| Central Holdings Limited                               | 22,341,698                     | -                                           | -                                      | -                                  | 22,341,698        |
| Holiday Club Management<br>Company Ltd                 | 11,208,729                     | -                                           | (11,208,728)                           | (11,278,197)                       | (11,278,196)      |
| Resort Interval Inc                                    | 10,547,902                     | 400,000                                     | -                                      | -                                  | 10,947,902        |
| RH Financial Ltd                                       | -                              | 22,486,925                                  | -                                      | -                                  | 22,486,925        |
| Royal Holiday Club S.A.                                | 524,768                        | -                                           | -                                      | -                                  | 524,768           |
| Vacation Services International<br>Limited             | 1,000                          | 2,300,000                                   | -                                      | -                                  | 2,301,000         |
| Worldwide Tourism Services<br>N.V.                     | (527,327)                      | -                                           | -                                      | -                                  | (527,327)         |
| <b>Balance as at 31<sup>st</sup> December<br/>2007</b> | <u>44,096,770</u>              | <u>25,186,925</u>                           | <u>(11,208,728)</u>                    | <u>(11,278,197)</u>                | <u>46,796,770</u> |

See note 20 for further details regarding the impairment loss recognised for the year.

**Notes to the financial statements**  
**For the year ended 31<sup>st</sup> December 2007**

**5. Investments in subsidiary companies (continued)**

|       | Company                                 |       | Class      | %<br>Owned | Country<br>of<br>Incorporation | Status   |
|-------|-----------------------------------------|-------|------------|------------|--------------------------------|----------|
| (i)   | Central Holdings Limited                | US\$1 | Ord Shares | 82.79%     | Cayman Islands                 | Unlisted |
| (ii)  | Holiday Club Management Company Ltd     | US\$1 | Ord Shares | 100%       | Cayman Islands                 | Unlisted |
| (iii) | Resort Interval Inc                     | US\$1 | Ord Shares | 100%       | Panama                         | Unlisted |
| (iv)  | RH Financial Ltd                        | US\$1 | Ord Shares | 100%       | Cayman Islands                 | Unlisted |
| (v)   | Royal Holiday Club S.A.                 | CHF1  | Ord Shares | 100%       | Switzerland                    | Unlisted |
| (vi)  | Vacation Services International Limited | US\$1 | Ord Shares | 100%       | Cayman Islands                 | Unlisted |
| (vii) | Worldwide Tourism Services N.V.         | US\$1 | Ord Shares | 100%       | Netherlands Antilles           | Unlisted |

- (i) Central Holdings Limited is located in the Cayman Islands. The Company is engaged in the activity of investment holding. The company was acquired by the group on 10<sup>th</sup> April 2006. The net assets of the company at 31<sup>st</sup> December 2007 were \$43,138,438 (2006: \$40,174,419).

The company invested in the stock of Grupo Costamex, S.A. de C. V., (39.23%) in 1991. Such investments are recorded by equity method. Further details can be found in note 6.

- (ii) Holiday Club Management Company Ltd is located on Grand Cayman Island. The Company is engaged in providing services related to the membership contracts sold by Resort Interval Inc (a related party) to members, which grant certain rights over the usage of vacation properties over the term of such membership contracts.

The Company was acquired by the group on 16<sup>th</sup> August 2005. The net liabilities of the Company at 31<sup>st</sup> December 2007 were \$14,171,100 (2006: \$7,707,223).

- (iii) Resort Interval Inc is located in the Republic of Panama. The Company is engaged in the marketing and sale of memberships (participation bonds), offered by Royal Holiday Club (a related party).

The Company was acquired by the group on 16<sup>th</sup> August 2005. The net assets of the Company at 31<sup>st</sup> December 2007 were \$11,605,448 (2006: \$13,064,948)

- (iv) RH Financial Ltd is a company incorporated in the Cayman Islands. The Company is dedicated primarily to providing financial services to the group. The company was acquired by the group on 2<sup>nd</sup> December 2005 but remained dormant until August 2007. The net assets of the company at 31<sup>st</sup> December 2007 were \$22,486,925 (2006: \$Nil).

- (v) Royal Holiday Club S.A, is a non profit association based in Switzerland which holds participation bonds, which are marketed and sold to members by Resort Interval Inc, and which grant certain rights for the usage of vacation properties over the term of the membership contracts.

The Company was acquired by the group on 16<sup>th</sup> August 2005. The net assets of the Company at 31<sup>st</sup> December 2007 were \$575,342 (CHF 647,616) (2006: \$527,873 – CHF 643,355).

**Notes to the financial statements**  
**For the year ended 31<sup>st</sup> December 2007**


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**5. Investments in subsidiary companies (continued)**

- (vi) Vacation Services International Limited is located in the Grand Cayman Island. The Company earns revenue from the rent of intervals owned ("occupation rights") to related parties.

The Company was acquired by the group on 2<sup>nd</sup> June 2006. The net assets of the Company at 31<sup>st</sup> December 2007 were \$4,874,771 (2006: \$939,657).

- (vii) Worldwide Tourism Services N.V. is located in Curacao, Netherlands Antilles. The Company is engaged in providing administration services to related parties located in the Caribbean, Central and South America.

The Company was acquired by the group on 16<sup>th</sup> August 2005. The net liabilities at 31<sup>st</sup> December 2007 were \$356,936 (2006: \$374,707).

**6. Investments in associates**

The investment in associates represents Central Holdings Limited's investment in the stock of Grupo Costamex, S.A. de C. V., (39.23%). The investment is accounted for in Central Holdings Limited by the equity method (Note 5). The associate prepares accounts to 31<sup>st</sup> December.

Grupo Costamex, S.A. de C. V. has been presented in the financial statements as an associated undertaking as the group exercises a significant influence over operating and financial policy, by virtue of the group holding in the associated undertaking being in excess of 20% of the voting rights.

Summarised financial information in respect of the Group's associates is set out below:

|                                           | <b>2007<br/>US\$</b> |
|-------------------------------------------|----------------------|
| Total assets                              | <b>313,923,000</b>   |
| Total Liabilities                         | <b>(213,541,000)</b> |
|                                           | <hr/>                |
| Net assets                                | <b>100,382,000</b>   |
|                                           | <hr/>                |
| Group's share of net assets of associates | <b>40,583,626</b>    |
|                                           | <hr/>                |
| Total revenue                             | <b>170,240,000</b>   |
| Total profit for the year                 | <b>13,670,451</b>    |
|                                           | <hr/>                |
| Group's share of profits of associates    | <b>5,362,918</b>     |
|                                           | <hr/>                |

**Notes to the financial statements**  
**For the year ended 31<sup>st</sup> December 2007**
**7. Trade and Other Receivables**

|                               | Group<br>2007<br>US\$ | LLP<br>2007<br>US\$ | Group<br>2006<br>US\$ | LLP<br>2006<br>US\$ |
|-------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| Accounts receivable long term | 23,778,887            | -                   | 18,003,706            | -                   |
| Less doubtful debts           | (2,377,889)           | -                   | (1,800,371)           | -                   |
| Accounts receivable - Trade   | 7,354,499             | -                   | 8,397,714             | -                   |
| - Other                       | 2,497,387             | -                   | 514,516               | -                   |
| - Prepayment                  | -                     | -                   | (972,985)             | -                   |
| - Doubtful debts              | (2,893,808)           | -                   | (1,873,874)           | -                   |
|                               | <u>28,359,076</u>     | <u>-</u>            | <u>22,268,706</u>     | <u>-</u>            |

**8. Other Assets**

|                    | Group<br>2007<br>US\$ | LLP<br>2007<br>US\$ | Group<br>2006<br>US\$ | LLP<br>2006<br>US\$ |
|--------------------|-----------------------|---------------------|-----------------------|---------------------|
| Guarantee deposits | 126,736               | -                   | 100,882               | -                   |
| Prepayments        | 231,750               | -                   | 123,426               | -                   |
| Deferred Interest  | 70,580                | -                   | 82,340                | -                   |
| Others             | 463,036               | -                   | 699,708               | -                   |
|                    | <u>892,102</u>        | <u>-</u>            | <u>1,006,356</u>      | <u>-</u>            |

**9. Loans receivable and payable with related parties**

|                             | 2007                                 |                                    | 2006                                 |                                    |
|-----------------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
|                             | Due from<br>related<br>party<br>US\$ | Due to<br>related<br>party<br>US\$ | Due from<br>related<br>party<br>US\$ | Due to<br>related<br>party<br>US\$ |
| Grupo Costamex S.A. De C.V. | <u>8,889,565</u>                     | <u>15,508,153</u>                  | <u>22,191,710</u>                    | <u>11,153,294</u>                  |

**10. Trade and other payables**

|                  | Group<br>2007<br>US\$ | LLP<br>2007<br>US\$ | Group<br>2006<br>US\$ | LLP<br>2006<br>US\$ |
|------------------|-----------------------|---------------------|-----------------------|---------------------|
| Trade creditors  | 5,265,106             | 38,466              | 5,442,230             | 23                  |
| Accrued expenses | 3,389,516             | 57,772              | 4,458,393             | -                   |
|                  | <u>8,654,622</u>      | <u>96,218</u>       | <u>9,900,623</u>      | <u>-</u>            |

**Notes to the financial statements**  
**For the year ended 31<sup>st</sup> December 2007**
**11. Other Current Liabilities**

|                                |    | <b>Group<br/>2007<br/>US\$</b> | <b>LLP<br/>2007<br/>US\$</b> | <b>Group<br/>2006<br/>US\$</b> | <b>LLP<br/>2006<br/>US\$</b> |
|--------------------------------|----|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Current position on borrowings | 13 | 3,158,923                      | -                            | 9,270,487                      | -                            |
| Advances from customers        |    | -                              | -                            | 771,500                        | -                            |
| Deferred revenues              |    | 36,164,244                     | -                            | 34,212,745                     | -                            |
|                                |    | <u>39,323,167</u>              | <u>-</u>                     | <u>44,254,732</u>              | <u>-</u>                     |

**12. Non Current Liabilities**

|                                     |    | <b>Group<br/>2007<br/>US\$</b> | <b>LLP<br/>2007<br/>US\$</b> | <b>Group<br/>2006<br/>US\$</b> | <b>LLP<br/>2006<br/>US\$</b> |
|-------------------------------------|----|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Non -Current position on borrowings | 13 | 800,116                        | -                            | 8,742,210                      | -                            |

**13. Borrowings**

|                                         |  | <b>Group<br/>2007<br/>US\$</b> | <b>LLP<br/>2007<br/>US\$</b> | <b>Group<br/>2006<br/>US\$</b> | <b>LLP<br/>2006<br/>US\$</b> |
|-----------------------------------------|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Loan from Textron Financial Corporation |  | 3,950,552                      | -                            | 17,999,967                     | -                            |
| Loan from Aruba Bank                    |  | 8,487                          | -                            | 11,888                         | -                            |
| Loan from Suntrust Bank                 |  | -                              | -                            | 842                            | -                            |
|                                         |  | <u>3,959,039</u>               | <u>-</u>                     | <u>18,012,697</u>              | <u>-</u>                     |
| Analysed as:                            |  |                                |                              |                                |                              |
| Current obligations                     |  | 3,158,923                      | -                            | 9,270,487                      | -                            |
| Non current obligations                 |  | 800,116                        | -                            | 8,742,210                      | -                            |
|                                         |  | <u>3,959,039</u>               | <u>-</u>                     | <u>18,012,697</u>              | <u>-</u>                     |

Resort Interval Inc obtained a loan from Textron Financial Corporation dated 3<sup>rd</sup> February 2005. During 2006, the company used the credit line with Textron for \$7,836,949, subject to interest at prime rate plus 2.25% (9.75% at 31 December 2007 and 10.75% at 31 December 2006). Principal and interest is repayable in monthly instalments according to the collection of the accounts receivable guaranteed in such operation.

Resort Interval Inc obtained a loan from Aruba Bank dated 30<sup>th</sup> November 2004, subject to a fixed rate of interest at 12%. Principal and interest is repayable in monthly instalments of \$417 (2006: \$742).

Worldwide Tourism Services N.V. obtained a loan from Suntrust Bank dated 20<sup>th</sup> July 2005, which is subject to a fixed rate of interest at 6.25%. Principal and interest is repayable in monthly instalments of \$842. During 2007, the loan was repaid in full.

## Notes to the financial statements

### For the year ended 31<sup>st</sup> December 2007

#### 14. Membership Subscriptions

The members subscribed to the LLP are shown below, and as specified by the Membership Agreement dated 2<sup>nd</sup> August 2005;

|                                        | Capital<br>Contribution<br>£ | Percentage<br>Interest<br>% |
|----------------------------------------|------------------------------|-----------------------------|
| International Tourism Holdings Limited | 90                           | 90                          |
| Odyssey Resort Group Limited           | 10                           | 10                          |
|                                        | <u>100</u>                   | <u>100</u>                  |

#### 15. Commitments and Contingencies – Litigation

Companies within the RHI Leisure LLP Group are party to various actions in the normal course of business. None of the Companies are involved in or threatened by proceedings for which the Companies believe they are not adequately insured or indemnified, or which, it determined adversely, would have a material adverse effect on their financial positions, results of operations, or cash flows.

#### 16. Transfer Pricing

**Worldwide Tourism Service** – Additional taxes payable could arise in transactions with non-resident related parties if the tax authority, during a review, believes that prices and amounts used by the Company are not similar to those used with or between independent parties in comparable transactions.

#### 17. Non Audit Services

In common with many other businesses of this size and nature, the auditors are used to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

#### 18. Related Parties

On the 2<sup>nd</sup> August 2006 RHI LLP entered into an agreement with Grupo Costamex S.A. De C.V "Costamex" a company incorporated under the laws of the United Mexican States. The agreement was to have effect from 24<sup>th</sup> November 2005. The agreement granted exclusive rights to the Costamex group to market and sell memberships in Mexico. Details of the loans due and from Costamex group can be found in note 9.

#### 19. Comparatives

The current financial period runs from 1<sup>st</sup> January 2007 to 31<sup>st</sup> December 2007 and the comparatives run from 2<sup>nd</sup> August 2005 (date of incorporation) to 31<sup>st</sup> December 2006. Therefore, the comparative figures in the income statement, statement of changes in equity, cash flow statement and related notes are not comparable.

**Notes to the financial statements  
For the year ended 31st December 2007****20. Impairment of investment in subsidiary**

At 31<sup>st</sup> December 2007, Holiday Club Management Company Limited (HCMC), had net liabilities of \$11,278,196, but was being carried at its book value of \$11,208,729. Consequently, an impairment loss of \$11,208,728 was recognised which resulted in the writing down of the investment from \$11,208,729 to \$1. In addition, the LLP recognised a provision of \$11,278,196 in respect of the investment in HCMC, which represents the extent to which the LLP may be liable to settle HCMC's liabilities in the future.

The net liabilities position of HCMC arose following the distribution of a dividend of \$22,486,925 to the LLP on 19<sup>th</sup> April 2007. The dividend was paid at a time when retained profits were sufficient to cover the dividend, due to the recognition of cash and reserves as detailed in note 24.

However, after the dividend was paid, HCMC restated its 2006 accounts following a change in accounting policy, as detailed in note 24, resulting in HCMC having net liabilities of \$11,278,196. RHI Leisure LLP has agreed to support HCMC against any potential claims or action that may arise from the payment of this dividend at any time in the future. No provision has been made in regard to any costs in this respect.

**21. Exceptional Item**

The exceptional item represents negative goodwill released to the profit and loss account. The negative goodwill arose on the acquisition of Epsilon Impulsora Y Administrativa S.A. De C.V. on 27<sup>th</sup> January 2007 by Central Holdings Limited.

Summarised financial information regarding the acquisition is set out below:

|                                                 | <b>2007<br/>US\$</b> |
|-------------------------------------------------|----------------------|
| <b>Consideration paid</b>                       | <b>1</b>             |
| <b>Assets acquired and liabilities assumed:</b> |                      |
| Investments in subsidiaries                     | 2,306,000            |
| Trade and other receivable                      | 33,713               |
| Amounts due from related parties                | 2,983,000            |
| Trade and other payables                        | (341,000)            |
|                                                 | <b>4,981,713</b>     |
| <b>Negative goodwill on acquisition</b>         | <b>4,981,712</b>     |



**Notes to the financial statements**  
**For the year ended 31st December 2007**

**22. Minority Interest**

|                                                                            | Group<br>2007<br>US\$ | Group<br>2006<br>US\$ |
|----------------------------------------------------------------------------|-----------------------|-----------------------|
| Minority interest brought forward                                          | 6,402,261             | -                     |
| Acquisition /(disposal) of minority interest                               | -                     | 4,327,110             |
| Profit attributable to minority interest                                   | 1,631,642             | 2,075,151             |
| Loss on sale of subsidiary attributable to minority interest (see note 23) | (1,219,981)           | -                     |
| <b>Minority interests at 31<sup>st</sup> December 2007</b>                 | <b>6,813,922</b>      | <b>6,402,261</b>      |

**23. Disposals of subsidiaries**

- i) On 15<sup>th</sup> February 2007, Vacation Services International Limited sold 100% of its ownership interest in Caribbean Resort Properties Limited to Vacation Passport N.V., a related party under common control for \$1,000. The net effect of this operation was a loss of \$968,543. The operations of Caribbean Resort Properties Limited were presented within loss from discontinued operations in the Consolidated Statement of Income as of 31<sup>st</sup> December 2007 and 2006.
- ii) On 7<sup>th</sup> August 2007, Vacation Services International Limited sold 100% of its ownership interest in Costamex International Associates Limited to Vacation Passport N.V., a related party under common control for \$1,000. The net effect of this operation was a gain of \$3,413,001. The operations of Costamex International Associates Limited were presented within loss from discontinued operations in the Consolidated Statement of Income as of 31<sup>st</sup> December 2007 and 2006.
- iii) On 8<sup>th</sup> January 2007, Central Holdings Limited sold 100% of its ownership interest in Vacation Services Limited. The net effect of this operation was a loss of \$7,088,784. The loss attributable to the group was \$5,868,803, and the loss attributable to minority interests was \$1,219,981.

Summarised financial information regarding the disposals is set out below:

|                         | Costamex<br>International<br>Associates<br>Limited<br>US\$ | Caribbean<br>Resort<br>Properties<br>Limited<br>US\$ | Vacation<br>Services<br>Limited<br>US\$ |
|-------------------------|------------------------------------------------------------|------------------------------------------------------|-----------------------------------------|
| Accounts receivable     | 1,958,390                                                  | 2,423,371                                            | 7,092,208                               |
| Accounts payable        | (5,371,391)                                                | (1,454,828)                                          | (2,426)                                 |
|                         | (3,413,001)                                                | 968,543                                              | 7,089,784                               |
| Gain/(loss) on disposal | 3,412,001                                                  | (967,543)                                            | (7,088,784)                             |
| Total consideration     | 1,000                                                      | 1,000                                                | 1,000                                   |

**Notes to the financial statements**  
**For the year ended 31st December 2007**

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**24. Restatement of comparatives**

*Fundamental error in accounting for net assets acquired in subsidiary investments*

- (i) On the acquisition of the subsidiary investments, as described in note 5, a fundamental error was made in calculating the value of the net assets acquired. Gains and losses on disposals of subsidiaries during 2006 were incorrectly accounted for within pre-acquisition reserves on group consolidation. In addition, minority interests on acquisition were overstated due to incorrectly including them in post-acquisition profits. Post acquisition reserves have been increased by \$6,287,755, members' capital introduced has been reduced by \$5,364,235 and minority interests have been reduced \$634,357 accordingly.

*Fundamental error in accounting for minority interests in subsidiary investments*

During 2006, minority interests in one of Resort Interval subsidiaries amounted to \$194,578 which was accounted for as a liability within minority interests in 2006. However, the subsidiary to which the minority interest relates made a loss, and therefore the minority interest position should have been accounted for as an asset. Post acquisition reserves and minority interests have been increased and reduced respectively by \$389,156 accordingly.

*Fundamental error in accounting for cash and cash equivalents*

Holiday Club Management Company Limited restated its opening cash and cash equivalents balance by \$22,486,925. The company had not previously recognised the cash and the corresponding reserves in 2006. Cash and cash equivalents and member's capital introduced have been increased by this amount accordingly.

*Change in revenue recognition policy*

- i) During the year, the associate investment, Grupo Costamex S.A. De C.V. 'Costamex', changed its accounting policy of revenue recognition to conform to IAS 18 *Revenue Recognition*. Under the original accounting policy, 'Costamex' and its subsidiaries recognised the sale of membership upon receipt of the 15% deposit from customers before the expiration of the contract cancellation period (usually 7 days following receipt of the deposit). This was not in accordance with IAS 18 *Revenue Recognition*.

'Costamex' changed its method of accounting for these revenues and has retrospectively adjusted its 2007 and 2006 financial statements to conform to IAS 18 *Revenue Recognition*. The effects of the change in policy has been to reduce the members' capital introduced by \$1,892,984, reduce the group's share of profits from 'Costamex' in 2006 by \$1,648,927 and to reduce minority interest by \$668,332.

- ii) During the year, Holiday Club Management Company Limited ('HCMC') changed its accounting policy of revenue recognition to conform to IAS 18 *Revenue Recognition*. A portion of 'HCMC's revenue is generated from the sale of memberships to an affiliated company, which sells membership to the end user. Prior to the change, the revenue recognition policy was such that 'HCMC' recognised the sale of the membership to the affiliate on the date such membership was sold to the end user and the 15% deposit has been received from the member. This was not in accordance with IAS 18.

'HCMC' changed its method of accounting for these revenues and has retrospectively adjusted its 2007 and 2006 financial statements to conform to IAS 18 *Revenue Recognition*. The effect of the change in policy has been to reduce the members' capital introduced by \$18,282,056, and to reduce the group's share of profits from 'HCMC' in 2006 by \$1,874,048.

**Notes to the financial statements**  
**For the year ended 31st December 2007**

**25. Detailed analysis of restatements**

|                                                     | <b>Members<br/>Capital<br/>US\$</b> | <b>Reserves<br/>US\$</b> | <b>Total<br/>US\$</b> | <b>Minority<br/>Interest<br/>US\$</b> | <b>Total<br/>Equity<br/>US\$</b> |
|-----------------------------------------------------|-------------------------------------|--------------------------|-----------------------|---------------------------------------|----------------------------------|
| <b>As originally reported</b>                       | 49,768,671                          | 7,751,345                | 57,520,016            | 8,094,156                             | 65,614,172                       |
| <i>Fundamental error on net<br/>assets acquired</i> | (5,364,235)                         | 6,287,755                | 923,520               | (634,357)                             | 289,163                          |
| <b>Fundamental error on<br/>Minority Interest:</b>  |                                     |                          |                       |                                       |                                  |
| <i>Resort Interval Inc</i>                          | -                                   | 389,156                  | 389,156               | (389,156)                             | -                                |
| <b>Change in revenue<br/>recognition policy:</b>    |                                     |                          |                       |                                       |                                  |
| <i>Associated entity</i>                            | (1,892,984)                         | (1,648,927)              | (3,541,911)           | (668,382)                             | (4,210,293)                      |
| <i>Holiday Club Management<br/>Company</i>          | (18,282,056)                        | (1,874,048)              | (20,156,104)          | -                                     | (20,156,104)                     |
| <b>Fundamental error on cash<br/>recognition:</b>   |                                     |                          |                       |                                       |                                  |
| <i>Holiday Club Management<br/>Company</i>          | 22,486,925                          | -                        | 22,486,925            | -                                     | 22,486,925                       |
| <b>As restated 2006</b>                             | <u>46,716,321</u>                   | <u>10,905,281</u>        | <u>57,621,602</u>     | <u>6,402,261</u>                      | <u>64,023,863</u>                |