

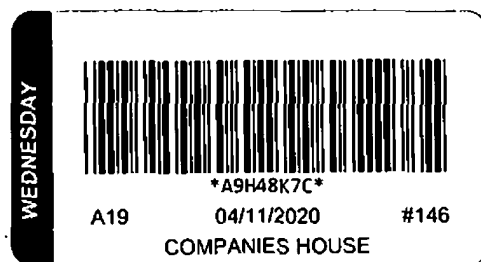
## **Diamond Resorts (Europe) Limited**

Report and Financial Statements

Year Ended

31 December 2019

Company Number 02353649



# **Diamond Resorts (Europe) Limited**

**Report and financial statements  
for the year ended 31 December 2019**

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### **Director**

S Crook

### **Secretary and registered office**

S Crook, Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA

### **Company number**

02353649

### **Auditors**

RSM UK Audit LLP, Bluebell House, Brian Johnson Way, Preston, Lancashire, PR2 5PE.

# Diamond Resorts (Europe) Limited

## Strategic report for the year ended 31 December 2019

The director presents the strategic report together with the audited financial statements of the company for the year ended 31 December 2019.

### Principal activity

The company's principal activity is the development, maintenance, management and rental of holiday accommodation and the sale and marketing of holiday ownership. The company also has active trading activities outside the UK, through branches in Spain, Greece, France, Malta, Portugal, Italy, Ireland, Bulgaria and Austria. There are no plans to alter the activities of the company.

### Review of the business

The company made a non-material loss for the year (2018 - £6.5m loss). The director does not recommend the payment of a dividend (2018 - £Nil). The statement of comprehensive income is set out on page 15.

The company's operating result before taxation improved by £6.8m (2019 - £0.4m profit, 2018 - £6.4m loss). The main factors were as follows:

#### Positive:

- The company recognised a diminution in the value of its stock of timeshare weeks in the Mediterranean region in the prior year. As a result, the cost of sales expense to recognise the proportion of usage rights that had elapsed or been returned to third parties is £1.4m lower (see note 5).
- In the prior year the impairment expense suffered to write down amounts owed by fellow group undertakings was £4.2m higher (see note 5).
- The net carrying expense of unoccupied resort accommodation in the holiday ownership system (unsold space cost less rental income) reduced by £1.2m; with the majority of the company's increased monetary exposure being offset by savings in the cost of non-utilised timeshare resort space that has been returned to third party developers in the Mediterranean region.
- During the year the company received proceeds of £0.6m from its share of surplus assets on the sale of the liquidated, (previously third party managed) owners club at Stouts Hill, Stroud, UK. The company previously held surplus timeshare weeks (non-points stock) at this resort. The profit recorded was £0.5m (see note 4).
- Dividends of £1.3m were received from subsidiary undertakings (2018 - £nil), (see note 4).

#### Negative:

- To partly offset the above; there was a £2.5m reduction in the combined revenues from sales of holiday ownership and promotional products. A proportion of this decrease was expected from a restructuring of sales & marketing and the resulting planned curtailment and general decline in selling promotional products in proceeding years. Revenues from such promotional products are released in accordance with product life-span and usage, this can be between 1 to 4 years following original sale completion. As a result, this revenue pipeline is now running down (please see discussion of turnover on page 2).

Membership numbers continued to slightly decline as per expectation, with the reduced sales and marketing operation concentrating on selling to the existing membership base. Although the expense from this increase in unoccupied space from a reduced membership has risen, there has been a return of unoccupied resort accommodation in the Mediterranean to compensate financially.

The director and other key management personnel are content with the re-sizing of group operations and the impact on revenue streams and operating expenses achieved from such. They are pleased with the revenues from the rental of resort accommodation in an extremely competitive marketplace. However, sales of holiday ownership in the Canary Islands were below expectation in the first half of the year and corrective action was taken, resulting in a change of sales agent in that region.

# Diamond Resorts (Europe) Limited

Strategic report  
for the year ended 31 December 2019 (continued)

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## Key Performance Indicators

The director considers key performance indicators (KPIs) to be:

- Volume per guest (calculated as: holiday ownership net written revenue / qualified (acceptable) marketing tours)
- Marketing tours (selling prospects toured at resort locations)
- Resort room occupancy rates
- Room nights rented and the average daily rate charged to rental partners
- The number of European Collection points sold
- The balance of unsold European Collection points and the points equivalent of unsold stock of timeshare weeks in trust

Reference to such KPIs can be found in the discussion of performance below.

Turnover decreased by 6%:

- (1) Sales of full holiday ownership and shorter term timeshare products were a combined £2.5m lower this year.

Following a restructuring of sales & marketing operations implemented in late 2017, the company now operates one internal selling site at a resort in the UK, with all other sales locations based elsewhere in the UK, Spanish territories and Portugal operated by third party sales agencies. These partners trade under contractual agreements to mitigate company financial exposure and provide certainty over margins achieved.

Sales of shorter term promotional products were halted at that time and only in the latter part of the current year has this resumed, the impact on revenues being non-material. As a result of the revenue recognition policy mentioned on page 1, the income stream from promotional product usage and contract expiry has reduced by £1.5m this year.

Sales of the full holiday ownership (points) product reduced by £1.0m with the mix of sales transactions during the year being 80% generated by agencies, (2018 – 69% from agencies). The average points in a purchase transaction is comparable this year but the price per point has been lowered to assist with the conversion of prospects. As a result, there was a reduction in total holiday ownership volumes per guest to £797 this year (2018 - £1,040 - revised), marketing tour-flow targeted at selling holiday ownership across Europe achieved 5,476 tours, (2018 - 4,787 tours - revised).

- (2) Revenues derived from hotel and timeshare resorts managed or owned by the company were comparable with the impact of reduced membership numbers being largely offset by a rise in management and administration fees charged per member, in majority this has been the result of the rise in underlying resort expense. Members of the European Collection holiday ownership occupied 321,000 room nights during the year (2018 – 343,000 room nights). This equated to 35% of available accommodation across the portfolio of resorts (2018 - 36% of available accommodation). Members of traditional timeshare resorts occupied 47,000 room nights during the year (2018 – 49,000 room nights). This equated to 5% of available accommodation (2018 – 5% of available accommodation).
- (3) Income earned from the relationship with preferred rental partners was largely flat when compared with the prior year, (decrease of £0.2m). These rental partners occupied a similar level of total resort room space as allocated from the developer's portion, being 36% this year (2018 - 37% of space), equating to 335,000 room nights (2018 - 344,000 room nights). The average daily rate charged to guests was comparable (2019 - £62 per night, 2018 - £62 per night). This income partly reduces the developer's liability for unsold inventory and its associated accommodation expense. The rental market continues to be competitive and the company utilises strategies to track location specific pricing trends and to offer dynamic room rates to online travel partners.

# **Diamond Resorts (Europe) Limited**

**Strategic report  
for the year ended 31 December 2019 (continued)**

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## **Key Performance Indicators (continued)**

**Cost of sales decreased by 57%:**

This change was principally driven by the aforementioned £1.4m usage rights decrease discussed in the review of the business on page 1. Additional savings resulted from the cost of points sold diminishing by £0.2m, although the total number of European Collection points sold was comparable at 5.1m points (2018 – 5.1m). In addition, the cost of consumable supplies & resort services reduced by £0.3m in line with certain owner service fees that had either been withdrawn or now provided free of charge (both to owners and the developer).

**Distribution costs decreased by 5%:**

This was in majority due to a £1.5m fall in the total carrying costs of unsold timeshare stock and the associated management operation tasked with utilising the available resort accommodation. Although there has been additional expense from the aforementioned slight decline in membership, together with higher resort fees incurred this year, this was more than offset by a scaling back of operations in the Mediterranean. This latter impact resulted from the company giving up or returning its right to use timeshare and hotel accommodation owned or managed by third party developers in that region. The company had recognised no value in either the current or prior year statement of financial position relating to these rights.

**Administration expenses decreased by 21%:**

Due to a cessation or material reduction in trading operations in fellow Diamond group companies there was additional impairment expense of £4.2m suffered in the prior year to write down amounts owed by fellow Diamond group undertakings. In majority those debtors arose from funds previously provided by the company to assist historic sales and marketing operations.

**Other operating income increased by 168% (see note 4):**

As discussed in the review of the business on page 1, the company recorded a profit of £0.5m on the sale of surplus non-points stock in the UK. Also received in the year were dividends of £1.3m from subsidiary undertakings.

**Timeshare points in trust (see note 13):**

During the year the number of unsold points in the Diamond Resorts European Collection (the points trust) has increased by 19.1m to 193.3m (2018 - 174.2m). This net increase is due to the decline in membership and the subsequent rise in points that have been returned to the company over and above sales in the year. The majority of these returns have low initial cost to the company and the weighted average cost per point within stock has not increased due to them. However, the cost of servicing this additional unsold space may be significant in future years as a distribution cost. Points are attributable to the portfolio of properties placed into the points trust directly and also to timeshare weeks owned by the company for this specific ultimate purpose. All such properties are converted to a points-equivalent based upon the standard and type of accommodation. The cost of these unsold points at 31 December is £18.6m (2018 - £17.2m).

## **Future developments**

The company will continue to pursue opportunities to dispose of developer owned surplus unsold timeshare stock and will monitor existing contractual agreements and club and member offerings with regard to financial suitability and benefit to the membership. The former strategy will reduce the carrying costs of unoccupied resort accommodation. In addition, it is the desire of the director and other key management personnel to maintain the variety of affiliate resort and international destinations.

# **Diamond Resorts (Europe) Limited**

**Strategic report  
for the year ended 31 December 2019 (continued)**

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## **Financial risks and uncertainties**

The market for timeshare and hotel accommodation in Europe is highly competitive. The major commercial risk for the business relates to the ability of the company to generate revenue from sales, marketing and rental activities, the latter operation targeted to offset the majority of the carrying costs of unsold resort accommodation held within company stock. To help the business mitigate this risk and take corrective action, close attention is directed towards the two key performance indicators "volume per guest" and "average daily rate" (see page 2).

At the time of the signing of these financial statements the company and consolidated group of Diamond Resorts, as a result of being in the hospitality sector, are enveloped by the health pandemic relating to the coronavirus (COVID-19). There has been significant disruption and curtailment since March 2020 on group operations; on its business partners, employees, membership offerings and customers. Further details concerning this are discussed in the post balance sheet events section below.

### ***Negotiations regarding future trading arrangements between UK and the EU (Brexit process)***

Additional risks and uncertainties not presently known to key management, or deemed to be less material at the date of this strategic report, may also have an adverse effect on the company. These include risks resulting from the UK leaving the EU which could adversely affect the economic environment and impact liquidity and credit. The director views the potential impact of Brexit as an integral part of its principal risks rather than a stand-alone risk. However, there is still a measure of uncertainty about the outcome of negotiations regarding future arrangements between the UK and the EU, and the period for which existing transitional arrangements and EU laws for member states will continue to apply to the UK.

The director still feels that any potential exposure to the company will be reduced due to its trade in services rather than goods, with key areas of relevancy being; (a) foreign currency risk (see note 24), (b) tax rulings passed down by the ECJ; such as VAT on holiday ownership points, (see discussion on page 23), and (c) the recruitment and retention of staff between the UK and EU member states.

The director and other members of key management will continue to assess the risks to the business as the negotiation process evolves and will implement any appropriate actions.

## **Going Concern**

As a result of the aforementioned trading disruption faced by the company and the upward consolidating group with regard to the Covid-19 pandemic; particular attention should be drawn to the accounting policy relating to the basis of going concern, (see page 18).

## **Post balance sheet events**

Other than the coronavirus pandemic discussed below, there are no matters to report as a post balance sheet events.

### ***Coronavirus (Covid-19) Impact on the business***

Trading in the period subsequent to the year-end has been materially adversely impacted by COVID-19. Following periods of widespread travel restriction and the curtailment of holiday related air travel in the territories in which the company operates, revenues were significantly reduced. After the closure of all of our resort and hotel destinations during the majority of quarter 2 and only a partial re-opening during quarter 3, in accordance with country specific government advice and customer demand, total revenues in the six months to 30 September 2020 are estimated to be down by £12.2m, this can be analysed by turnover type as follows:

# Diamond Resorts (Europe) Limited

Strategic report  
for the year ended 31 December 2019 (continued)

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## Post balance sheet events (continued)

Coronavirus (Covid-19)  
Impact on the business (continued)

	Six months to Sep-2020 £'000
Sales of holiday ownership	(2,600)
Rental revenues	(7,300)
Resort management and admin. fees	(2,300)
<b>Total</b>	<b>(12,200)</b>

The COVID-19 situation is still changing, and while we were able to reopen entirely in the UK and at specific resorts in continental Europe, our internal scenario planning currently assumes that Diamond resort destinations outside the UK, together with the majority of resort based commercial activities and sales agencies will remain either closed, or operating at low levels of occupancy, until the Spring of 2021. Demand recovery is then expected to be slow as social distancing restrictions are gradually relaxed.

### *Decisive action to protect the business and preserve cash*

The company has a well-developed set of contingency plans. As the global pandemic progressed throughout February 2020, and then rapidly escalated in March 2020, the business deployed its contingency plans in full response to COVID-19. Following the series of Government announcements on social distancing in the week commencing 16 March 2020 and also the further announcements and guidance from the UK Prime Minister on 23 March 2020, the business implemented a range of operational actions to prioritise the safety and well-being of members, resort guests and staff, including:

- The temporary closure of all food & beverage and other commercial operations based at Diamond resort locations,
- The temporary closure of guest accommodations in the majority of Diamond resort destinations, with specific properties remaining open to provide accommodation for first responders and medical personnel,
- The temporary closure of administrative offices and a switch to home-working for the majority of Diamond team members.

A further discussion of operational actions and safety and well-being post COVID-19 can be found in the statement of director's duties from page 9.

We are an operationally leveraged business which benefits us in the good times, but in times like these will result in a material adverse impact on revenue streams. We have therefore taken immediate action to reduce cash outflows during 2020:

- All discretionary P&L spend has been either cut-back or temporarily suspended, including resort refurbishment plans, marketing, non-essential training, staff travel and recruitment,
- When appropriate and in accordance with operational demand, we have placed employees on temporary furlough with the government support packages available in the territories in which we operate,
- Capital expenditure will only be incurred for essential resort maintenance and to maintain core IT programmes and infrastructure,
- A widespread pay freeze has been implemented for salaried staff.

Our owners clubs and resort hospitality properties will also benefit from the UK Government's decision to stop the payment of business rates for a 12 month period.

# Diamond Resorts (Europe) Limited

Strategic report  
for the year ended 31 December 2019

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## Post balance sheet events (*continued*)

### *Coronavirus (Covid-19)*

#### *Decisive action to protect the business and preserve cash (continued)*

Whilst our reaction to COVID-19 has been robust, our actions have been taken with a view to the long-term impact on the business. We believe it is important to act responsibly in times of crisis and treat our stakeholders fairly. Examples of these actions include:

- Providing full cash refunds to our rental customers for all cancelled bookings due to COVID-19 restrictions,
- Continuing to pay our suppliers, many of which are small or medium sized businesses, in a timely manner,
- Supporting the community and national effort by making rooms available to first responders and medical personnel,
- Enabling future reservation space and maintenance fee credits to holiday ownership and traditional timeshare members that have been unable to make bookings or occupy Diamond resort accommodation due to shut downs.

### *Reopening safely*

We tentatively reopened a selection of our resorts during quarter 2 when the Government advice across Europe allowed us to do so. Our internal scenario planning assumes low levels of member and rental guest occupancy in our Continental European zone due to air travel restrictions. When safe and practical to do so, we are able to reopen each of our resorts quickly, in what will be a phased reopening to help match supply against levels of demand.

Our experience in operating accommodation for health professionals earlier in the pandemic and our already robust resort cleaning and hygiene standards gave us a head start in implementing workable solutions for social distancing and enhanced measures. These include signage and protocols, health screening and illness response procedures, correct use and regular changing of PPE equipment and enhanced cleaning standards during guest room changeover. Our operating model and right of management will ensure that these new standards and ways of working can be rigorously enforced across our portfolio of resorts.

Our operational focus prior to, and during, the reopening phase includes increased engagement with our members and guests, and the active management of our supply chain to ensure we are able to provide a near-full customer offering. We have introduced a wider range of cancellation and/or reservation options, giving our members and guests greater confidence when they book. Overall, we believe our timeshare-based and typically 'holiday-home' type of accommodation will give us an attractive post-lockdown proposition in a safety-conscious environment, where trust will be key.

### *Liquidity and long-term strategy*

Given that we are not currently able to assess the full and eventual impact of COVID-19 deep into 2021, we entered into discussions with our USA parent undertaking; and based upon our forecast of working capital requirements going forwards, we obtained their commitment to support the business with periodic cash inflows as required during this time, (see discussion of going concern in note 1).

Diamond's vertically integrated model, which combines the development, ownership and management of resort based commercial and guest accommodation has enabled the company and group to deliver a consistently strong customer experience. We believe that this operating model is the optimum approach with which to capitalise on the enhanced structural opportunities that are expected to exist post COVID-19. Particularly, through the disciplined execution of an appropriate cost-base to reflect the new normal, utilising the global procurement of our upward US group and an efficiency programme that will ensure this reflects demand. We will carry this out whilst endeavouring to act responsibly through our commitment to local communities.



# Diamond Resorts (Europe) Limited

Strategic report  
for the year ended 31 December 2019

## Financial instruments

- (1) Credit risk - The company is at risk from its customers defaulting in making payments for memberships and services that have been supplied to them. The majority of the company's customers are based within the UK and are of an older demographic and therefore regional changes or economic hardships present a risk to the group. To minimise this risk the company has a policy of only dealing with purchasers of holiday ownership that can obtain external finance and have thus demonstrated creditworthiness or can provide sufficient collateral. In addition, the company provides a short term financing facility to holiday ownership and timeshare resort customers that wish to pay their annual membership fees under an instalment plan.
- (2) Liquidity risk - The director has ultimate responsibility for liquidity risk management in maintaining adequate reserves, banking facilities and reserve borrowing facilities. This is carried out by continuously monitoring forecast and actual cash flows and through close observation of financial assets and liabilities.
- (3) Cash flow risk - The net liability position reported in the company statement of financial position has arisen from profit and loss account deficits that have arisen from a deterioration in trading performance in recent years.

Diamond Resorts (Europe) Limited, as part of a European group has no significant external bank creditors. The company and group are funded by, and have an undertaking from the parent undertaking, Diamond Resorts Corporation to provide support as necessary to fund the company and group's operations for the foreseeable future. It should be noted, however, that the company is party to a cross guarantee, registered 24 April 2007, in favour of Diamond Resorts Corporation. The debenture provides a fixed and floating charge over the undertaking and all assets of the company due to the existence of external debt at USA group level. The USA group have successfully obtained credit facilities and credit conduits to finance consumer loans that are provided to customers in the USA and to fund working capital and other corporate purposes worldwide.

## Approval

This strategic report was approved by order of the Board on 30 October 2020



S Crook  
Director

Diamond Resorts (Europe) Limited, Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA

Date 30 October 2020

# **Diamond Resorts (Europe) Limited**

## **Report of the director for the year ended 31 December 2019**

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The director presents the report together with the audited financial statements for the year ended 31 December 2019.

### **Directors**

The director who held office during the year and to the date of approval of the financial statements is shown below. The director served throughout the year unless otherwise indicated.

S Crook

The director does not have any interest in the share capital of the company. The interests of the director in the share capital of Diamond Resorts (Holdings) Limited are disclosed in the financial statements of that company.

### **Employment of disabled persons**

It is the company's policy to provide equal opportunities for all staff, including disabled persons. Applications for employment and promotions from disabled persons are treated on the same basis as those from other applicants having regard to ability, requirements of the job and experience. In the event of employees becoming disabled, the company will use its best endeavours to ensure continuity of employment through rehabilitation and retraining.

### **Employee involvement**

It is company policy to involve employees in the business and to ensure that matters of concern to them, including the company's aims and objectives and its financial performance, are communicated in an open and regular way. This is achieved through management briefings and other informal communications.

### **Dividends**

The director does not recommend the payment of a dividend (2018 – no dividend).

### **Financial risk management**

Information on the company's financial risk management objectives and policies and information on exposure to price, credit, liquidity and cash flow risk is included in the strategic report.

### **Existence of branches of the company outside of the United Kingdom**

The company has the following operational branches outside of the United Kingdom: Austria, Bulgaria, France, Greece, Ireland, Malta, Portugal, Spain.

### **Likely future developments in the business of the company**

Information on likely future developments in the business of the company has been included in the Strategic Report.

### **Director's liabilities**

The company has granted an indemnity to the director against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the director's report.

### **Statement of directors' duties**

The director of the Company, as for all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole and, in doing so have regard (amongst other matters) to:

# Diamond Resorts (Europe) Limited

## Report of the director for the year ended 31 December 2019 (continued)

### Statement of director's duties (continued)

- The likely consequences of any decisions in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between stakeholders of the company'.

As part of their induction, a director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or relevant officers of the global parent undertaking (see note 9) or, if they judge it necessary, from an independent adviser. The duties of the director are partly fulfilled through a governance framework that delegates day-to-day decision-making to employees of the company, especially those considered to be key management personnel with responsibility over the business activities in which the company operates.

The company is committed to compliance with the spirit of the UK Corporate Governance Code (the 'Code'), although generally the Code is adopted by UK listed companies operating for profit and which pay dividends to shareholders. Despite this difference, the director is of the view that, generally, the principles of good governance as set out in the Code apply to the company.

The following paragraphs summarise how the director fulfils her duties:

#### *Risk Management*

We provide resort-based holiday experiences and relaxation-critical services to our clients, often in health and safety regulated environments that continue to evolve. As a result, our business and our risk environment has become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to adapt our approach to risk management.

The company operates and is committed to a 'Diamond Standard of Clean' at all of its resort destinations, adapting to the 'new normal' to protect the health & safety of our members, owners, guests and team members. Additional precautions have been implemented; closely monitoring guidelines recommended by public health agencies, and after consultation with in-house and outside experts to expand existing protocols,

For discussion of our financial risks and uncertainties, please see the strategic report.

#### *Our People*

The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, ultimate investors, communities and society as a whole. People are at the heart of our holiday and resort-related services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

Diamond Resorts champions a number of people initiatives within our UK, EU, and Global operations. Our internal mentorship programme enables us to identify and cultivate individuals to ensure their retention and development within the workforce. We work with external operators to provide an apprentice framework, ensuring the development and upskilling of our team members and resulting in a range of business qualifications. Employee recognition programmes, such as the Chairman's Award, enable us to recognise and celebrate talent and achievement from our various geographical regions, and at varying levels of seniority, across the business, career longevity and tenure is celebrated through our anniversary award scheme.

The overall wellbeing of our Team Members is important to us. Given the spread of our geographical locations, interpersonal connections are encouraged both virtually, through forums such as twitter, and physically. We have developed structured schemes such as 'Connect and Celebrate' within our Resort Operations, and hold Social Events across the year. We also provide a team member getaway programme, enabling Team Members to stay at a Diamond owned Resort at a reduced and fixed rate.

# Diamond Resorts (Europe) Limited

## Report of the director for the year ended 31 December 2019 (continued)

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### Statement of directors' duties (continued)

#### *Our People (continued)*

In addition, for 2020 we have introduced a new Employee Assistance Programme. This service provides an online forum to encourage team members to be aware of their own physical and mental wellbeing, as well as offering more specific counselling and telephone advice services across a range of topics.

#### *Business Relationships*

Our strategy prioritises client retention and the organic growth of our resort rental offering, driven by up-selling services and club memberships to existing clients and bringing new guests into group owned or managed resort destinations. To do this, we need to develop and maintain strong relationships. We value all of our suppliers and have mutually beneficial contracts with our key suppliers.

Within Diamond, there have been many actions to support a closer and improved relationship with suppliers across all the business units, such as: Improving and refining supplier management information systems; Introducing dedicated managers for resort rental agencies and partners; Entering long term agreements with key suppliers; Introducing regular business reviews with key suppliers; and Formation of a dedicated department for corporate and resort management spending to make procurement more effective and efficient, with the aim of ensuring that the quality of the Diamond brand is maintained across all resort destinations and at the right price.

Sales centres are located at key Diamond resort locations across Europe. Members will be invited to attend an update meeting while staying at the resort which is entirely optional. Members who choose to attend the meetings will receive a personal update on their membership including help with any issues they are experiencing. Clients will also have the opportunity to enhance their membership if required.

The sales function in Europe is predominantly operated by two sales agencies. The agencies operate in eight locations in the following countries, Spain, the Canary Islands, Portugal and the UK. The Director of Sales Operations for Europe manages that relationship and is responsible for product promotion, legislative compliance and customer service. The sales agencies exclusively promote Diamond European Collection points. The sales agencies are also registered with the Financial Conduct Authority to broker consumer credit using Diamond's consumer credit brokerage licence. All sales agencies operate to a prescribed code of conduct and receive compliance training from Diamond on all aspects of the sales operation including the brokerage of consumer credit. Consumer contracts and credit agreements are processed by a contracts team based in Lancaster, England, which is entirely staffed by group employees. This team is also responsible for the independent verification of the product sale and any linked consumer credit. The team also provide after sales service to purchasing members.

Day to day servicing of members needs are attended to by the Diamond customer service team which operates 24/7 globally. Members can access assistance by email, key social media channels and by telephone.

Due to the impact of COVID-19, such as the restrictions on travel and the curtailment of resort stays, it was decided that members are to be offered a two year extension to the deadline by which their 2020 saved points will need to be used, coupled with a partial credit in respect of maintenance fees paid in return for a partial redemption of unused points. As an alternative option, members can also convert their points (including unused 2019 points) into a 'DestinationXchange' Tier Credit to use for up to 5 years for future travel. Diamond will also continue to provide all Club members with the ability to cancel reservations at any Diamond Resorts managed property up to 15 days before their scheduled arrival without any loss of points (as at September 1, 2020).

#### *Community and Environment*

The company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

Diamond Resorts recognises the importance of reducing its impact on the environment and has implemented community initiatives in support of environmental improvement and sustainable development.

# **Diamond Resorts (Europe) Limited**

## **Report of the director for the year ended 31 December 2019 (continued)**

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### **Statement of directors' duties (continued)**

#### *Community and Environment (continued)*

The company has, and continues to develop, a simple set of operational standards in the form of a sustainability commitment, which takes care to minimise impact whilst ensuring the guest experience is not compromised. In the coming years, it is our intention to adopt a more coordinated approach to ensuring a sustainable future.

Worldwide, Diamond has provided 10,000 free rooms directly to first responders and medical personnel working on the frontlines of COVID-19 (as at August 2020). In addition, a global initiative has been launched after many Diamond members voiced interest in supporting these efforts. Members of the club can gift 3,000 of their points to provide frontline workers with a comfortable place to stay (as at June 2020). Members can gift their points through the online area of DiamondResorts.com. and Diamond Resorts will match every point gifted.

#### *Stakeholders (including Members of holiday ownership and resort timeshare clubs)*

The director is committed to openly engaging with the stakeholders of the company. As an organisation, we recognise the importance of a continuing effective dialogue, whether with our parent undertaking (see note 9), resort-based commercial partners or with the membership that we service. It is important to us that stakeholders understand our strategy and objectives, so these must be explained clearly, feedback listened to and any issues or questions raised and then properly considered.

We send regular emails to the membership base on a variety of topics, including but not limited to: New member benefits, changes to member benefits, changes to processes (e.g. cancellation policy due to covid-19), amendments to rules of the club, pre-arrival emails for resort bookings, mid-stay feedback emails and post-stay surveys asking for feedback.

Members can contact us via social media and we have a dedicated team who handle this channel. In addition, we have a dedicated page on DiamondResorts.com called 'what's new' in which we post important advisory news relating to the membership.

In the coming year we plan to hold a range of webinars for EU members on a variety of educational topics linked to the operation of the membership.

We send out AGM notices via email and give members an opportunity to ask any questions prior to the AGM. These are then collated, answered and can be issued at the AGM. These questions and answers are also posted to the member's area on DiamondResorts.com.

We provide each club member with a full directory of membership, or online access to such. This document contains detailed information on how the club and membership works, including but not limited to: contact information, how to manage points ownership, make reservations, exchange points, access member benefits & offers, check-in at resorts, access the club community and also a full listing of the points values at the portfolio of Diamond resort destinations.

### **Director's responsibilities**

The director is responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the director must not approve the financial statements unless she is satisfied that they 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.

# Diamond Resorts (Europe) Limited

## Report of the director for the year ended 31 December 2019 (continued)

### Director's responsibilities (continued)

In preparing those financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable her to ensure that the financial statements comply with the Companies Act 2006. She is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

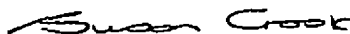
The director has referred to certain matters required to be disclosed in the report of the director in the strategic report as she considers these to be of strategic importance. These matters include information in respect of principal risks and uncertainties, going concern and post balance sheet events.

### Auditors

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

RSM UK Audit LLP offer themselves for reappointment as auditors in accordance with section 487 of the Companies Act 2006.

### On behalf of the Board



S Crook  
Director

Diamond Resorts (Europe) Limited, Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA

Date 30 October 2020

# **Diamond Resorts (Europe) Limited**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAMOND RESORTS (EUROPE) LIMITED**

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### **Opinion**

We have audited the financial statements of Diamond Resorts (Europe) Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the director have been prepared in accordance with applicable legal requirements.

## **Diamond Resorts (Europe) Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAMOND RESORTS (EUROPE) LIMITED** *(continued)*

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the director's responsibilities statement set out on page 11, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*RSM UK Audit LLP*

Ian Taylor (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Bluebell House, Brian Johnson Way, Preston, PR2 5PE

Date *30 OCTOBER 2020*



# Diamond Resorts (Europe) Limited

## Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	43,066	45,826
Cost of sales		(1,437)	(3,343)
<b>Gross profit</b>		<b>41,629</b>	<b>42,483</b>
Distribution costs		(26,650)	(27,908)
Administrative expenses		(17,070)	(21,642)
<b>Operating loss before other operating income</b>		<b>(2,091)</b>	<b>(7,067)</b>
Other operating income	4	2,852	1,066
<b>Operating profit/ (loss)</b>	5	<b>761</b>	<b>(6,001)</b>
Interest receivable	8	54	116
Interest payable	9	(403)	(536)
<b>Profit/ (loss) on ordinary activities before taxation</b>		<b>412</b>	<b>(6,421)</b>
Taxation on profit/ (loss) on ordinary activities	10	(431)	(61)
<b>Loss on ordinary activities after taxation</b>		<b>(19)</b>	<b>(6,482)</b>
<b>Other comprehensive profit/ (loss) for the year</b>			
Foreign exchange differences		985	(295)
<b>Total comprehensive profit/ (loss) for the year</b>		<b>966</b>	<b>(6,777)</b>

All amounts relate to continuing activities.


The notes on pages 18 to 34 form part of these financial statements.

# Diamond Resorts (Europe) Limited

## Statement of financial position as at 31 December 2019

<i>Company number 2353649</i>	<i>Note</i>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2018 £'000</b>	<b>2018 £'000</b>
<b>Fixed assets</b>					
Tangible assets	11		<b>2,225</b>		<b>2,499</b>
Fixed asset investments	12		<b>124</b>		<b>141</b>
			<hr/>		<hr/>
			<b>2,349</b>		<b>2,640</b>
<b>Current assets</b>					
Stocks	13	<b>28,770</b>		<b>27,923</b>	
Debtors	14	<b>69,027</b>		<b>69,980</b>	
Cash at bank and in hand	15	<b>32,517</b>		<b>34,283</b>	
		<hr/>		<hr/>	
		<b>130,314</b>		<b>132,186</b>	
<b>Creditors: amounts falling due within one year</b>	16	<b>(134,437)</b>		<b>(137,466)</b>	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			<b>(4,123)</b>		<b>(5,280)</b>
<b>Total assets less current liabilities</b>			<hr/>		<hr/>
			<b>(1,774)</b>		<b>(2,640)</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(12,104)</b>		<b>(12,415)</b>	
<b>Provisions for liabilities</b>	18	<b>(670)</b>		<b>(459)</b>	
		<hr/>		<hr/>	
			<b>(12,774)</b>		<b>(12,874)</b>
<b>Net liabilities</b>			<hr/>		<hr/>
			<b>(14,548)</b>		<b>(15,514)</b>
<b>Capital and reserves</b>					
Called up share capital	20		<b>5,000</b>		<b>5,000</b>
Share premium account	21		<b>34,769</b>		<b>34,769</b>
Merger reserve	21		<b>16,392</b>		<b>16,392</b>
Profit and loss account	21		<b>(70,709)</b>		<b>(71,675)</b>
			<hr/>		<hr/>
<b>Shareholders' deficit</b>			<b>(14,548)</b>		<b>(15,514)</b>
			<hr/>		<hr/>

The financial statements were approved by the director and authorised for issue on 30 October 2020

S Crook   
Director

The notes on pages 18 to 34 form part of these financial statements.

# Diamond Resorts (Europe) Limited

## Statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total equity £'000
<b>1 January 2019</b>	<b>5,000</b>	<b>34,769</b>	<b>16,392</b>	<b>(71,675)</b>	<b>(15,514)</b>
<b>Comprehensive profit for the year:</b>					
Loss for the year	-	-	-	(19)	(19)
Foreign exchange differences	-	-	-	985	985
<b>Total comprehensive profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>966</b>	<b>966</b>
<b>31 December 2019</b>	<b>5,000</b>	<b>34,769</b>	<b>16,392</b>	<b>(70,709)</b>	<b>(14,548)</b>

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total equity £'000
<b>1 January 2018</b>	<b>5,000</b>	<b>34,769</b>	<b>16,392</b>	<b>(64,898)</b>	<b>(8,737)</b>
<b>Comprehensive loss for the year:</b>					
Loss for the year	-	-	-	(6,482)	(6,482)
Foreign exchange differences	-	-	-	(295)	(295)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,777)</b>	<b>(6,777)</b>
<b>31 December 2018</b>	<b>5,000</b>	<b>34,769</b>	<b>16,392</b>	<b>(71,675)</b>	<b>(15,514)</b>

The notes on pages 18 to 34 form part of these financial statements.

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019

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## 1 Accounting policies

Diamond Resorts (Europe) Limited is a private company limited by shares and incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the director's report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The company's financial statements are prepared in pound sterling which is also the functional currency of the company. Amounts have been rounded to the nearest whole thousand unless otherwise indicated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

In preparing the separate financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- The requirements of Section 7 Statement of Cash Flows
- The requirement of Section 33 Related Party Disclosures, including compensation of key management personnel.

### *Going Concern*

The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of finance for a period of 12 months from the date of signing of the financial statements should additional working capital be required.

Notwithstanding the net liabilities position of £14.5m shown in the statement of financial position, (see page 16) the company is able to meet its day-to-day working capital requirements through its bank balance and through the group loan facility as discussed on page 7. Diamond Resorts (Europe) Limited, as part of a European group has no significant external bank creditors. The company and group are funded by, and have an undertaking from, Diamond Resorts Corporation to provide support as necessary to fund the company and group's operations for a period of at least 12 months from the date of signing of the financial statements.

The group and company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is likely to encounter a cash deficit in the next 12 months. Notwithstanding this, on the basis of periodic cash inflows in accordance with a letter of support from Diamond Resorts Corporation, the group and company should be able to meet its obligations when they fall due for a period of at least 12 months from the date these financial statements are approved and the director is not aware of any uncertainties which could have a material impact on the company as a going concern.

Accordingly, after making enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of the financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

The following principal accounting policies have been applied:

### *Group accounts*

The company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare group financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of Diamond Resorts (Holdings) Limited (see note 25). These financial statements present information about the company as an individual entity and not about its group.

# **Diamond Resorts (Europe) Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

## **1 Accounting policies (continued)**

### *Financial assets*

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

### *Turnover*

Turnover primarily consists of three income streams;

- (1) Sales of stocks of holiday ownership, in the form of points in Diamond Resorts European Collection, which give members the right to use accommodation in holiday resorts owned by the Diamond Group and other non-points trading stock, comprising accommodation not put into trust, but which may be available for members to use and also facilities not currently used as club resorts and awaiting refurbishment or sale. All these sales are recognised when they become contractually complete, which includes receiving all of the purchase consideration.
- (2) Rental revenues derived from surplus holiday accommodation not utilised by the group are recognised over the period of reservation stay when resort space has been provided.
- (3) Resort management and administration fees are recognised over the period during which the services are provided.

Where the company acts as principal rather than agent, commissions earned and the related costs are shown in turnover and cost of sales respectively.

### *Other operating income*

Other operating income consists primarily of peripheral revenues and cost reimbursements obtained from private members clubs and club members for administration services and occupied facilities, as well as any profits made on the sale of surplus holiday ownership stock removed from timeshare trust and held as current assets.

### *Tangible fixed assets and depreciation*

Tangible fixed assets are initially recognised at cost and then subsequently depreciated. Depreciation is calculated to write down the cost of all tangible fixed assets, other than freehold land, in equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Freehold buildings	-	2% to 5% per annum
Motor vehicles	-	33% per annum
Fixtures, fittings and equipment	-	20% to 33% per annum

### *Impairment of fixed asset*

The need for any fixed asset impairment write down is assessed by comparing the carrying value of the asset against the higher of its realisable value (fair value less costs to sell) and value in use (discounted cash-flows of the relevant cash generating unit).

### *Holiday pay*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued as at the date of the statement of financial position and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued as at this date.

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 1 Accounting policies (continued)

### Investments

Investments are stated at cost less any provision for impairment.

### Stock

Stocks are valued at the lower of cost and net realisable value. Cost is determined for each component of stock as follows:

- |   |  |
|---|--|
| Points, representing the right to use holiday resorts.  | - Weighted average cost of developing and acquiring resorts, comprising accommodation and resort facilities; purchase price of timeshare weeks acquired in the market; purchase price of timeshare weeks repossessed from members. |
| Weeks (Mediterranean), representing the right to use accommodation at properties in a timeshare trust, (these weeks are made available for the use of points club members and are currently not marketed for sale). | - Purchase price of timeshare weeks acquired from third party developers less amortisation of elapsed right to use term;   |
| Weeks (other), representing the right to use accommodation at properties in a timeshare trust, (intention to sell onwards under existing right to use).   | - Purchase price of timeshare weeks acquired from third party developers;  |
| Other non-points trading stock, comprising land and buildings not yet put into trust, but which may be available for use; facilities not currently used as club resorts and awaiting refurbishment or sale.         | - Purchase price of properties, cost of land acquisition, construction and related costs.  |
| Consumables, marketing materials and resort supplies  | - Purchase price   |

Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete disposal.

### Deferred rental payments

Where local accounting rules require stock to be accounted for by overseas Diamond entities, but the beneficial ownership has been transferred to the company, the company recognises a deferred rental creditor to give effect to the transfer of the stock and to recognise a liability for future rental for use of the overseas assets. The deferred rental creditor is initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case it is stated at cost.

### Deferred taxation

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

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

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## 1 Accounting policies (continued)

### *Contributions to pension funds*

The pension costs charged against profits represent the amount of the contributions payable to the private pension plans of certain employees in respect of the accounting period. Any amounts outstanding at the year-end are separately identified.

### *Leased assets*

All leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term.

### *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date, and the gains or losses on transactions are included in the statement of comprehensive income.

The results of overseas branches are translated at the average rates of exchange during the period and their statements of financial position at the rates ruling on the period end date. Exchange differences arising from retranslation of the opening net assets and from the difference between average rates of exchange and the rate ruling at the date of the statement of financial position are taken directly to reserves.

### *Management of timeshare clubs and the holiday ownership points club*

A Timeshare Club consists of holiday accommodation and related facilities at resorts that have been deeded into or leased to a trust for the benefit of members of the club. This membership can be in the form of fixed or floating week ownership at specific resorts or in the form of holiday ownership points that can be used to access space across a portfolio of resorts.

Club balances are included within the financial statements due to the company's ability to access and manage club membership revenues, club properties, resort infrastructure and to settle local club expenditures on behalf of the clubs through its local management operations. As a result, the company is deemed to exercise significant control over club operations and decision-making achieved via representation at club committee level, voting rights relating to its proportion of resort membership and the working relationship with the external trustees.

A distinction is drawn between assets and liabilities of the company and assets and liabilities of the clubs. The latter comprises maintenance fee debtors receivable from club members on behalf of the clubs, over which the company has the right to recover the timeshare interest owned by any defaulting club members on payment to the clubs of the outstanding maintenance fee debts. Cash balances relating to the clubs are included within company cash and the nature of any restrictions on its use by the company is disclosed in the notes to the financial statements (see note 15). Other club assets and liabilities and the net surplus and deficits for clubs are netted off and shown in the company financial statements as a net liability on behalf of club members.

Club income and expenditure is excluded from the statement of comprehensive income as it is not company income and expenditure as the company is acting as an agent on behalf of the clubs. Club income and expenditure is netted off in the statement of comprehensive income and the net surpluses and deficits included in the net liability on behalf of club members.

# **Diamond Resorts (Europe) Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2019 (continued)**

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### **2 Judgements in applying accounting policies and key sources of estimation uncertainty**

*In the application of the company's accounting policies, which are described in note 1, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.*

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

#### *Tangible fixed assets (see note 11)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### *Fixed asset Investments (see note 12)*

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments. In determining this amount, the company applies the overriding concept that value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

As equity investments in subsidiaries are not publicly traded, the company recognises that a reliable measurement of carrying value to be cost less impairment. The value of such investments is recorded at the higher of net realisable value (a measure of subsidiary net assets excluding balances with fellow Diamond group undertakings) and £1.

#### *Stocks (see note 13)*

The company measures inventories at the lower of cost and estimated selling price less costs to complete and sell.

The director believes that a weighted average cost of obtaining points and weeks of timeshare at a points equivalent to be the method most appropriate for valuing stocks of holiday accommodation and the company uses the same cost formula for all inventories having a similar nature.

With regard to other non-points stock, the majority of these have been measured at a points equivalent of such accommodation, as the director believes that this is a likely future plan of disposal.

At the date of the statement of financial position the director has validated the carrying value of such stocks compared to their estimated net revenues, (future selling price of equivalent unsold points less estimated sales & marketing expenditure required to achieve sale completions).

The cost of the other non-points stock that is unlikely to be added into the points trust shall be validated against either the market value of similar properties, or valuations performed by an independent professional agency with recent experience in the location and category of property valued.



# Diamond Resorts (Europe) Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

*Creditors: amounts falling due within one year – VAT accrued on holiday ownership points*

As previously mentioned, the company manages and sells timeshare club memberships in the form of holiday ownership points (in Diamond Resorts European Collection) that can be used to access holiday resort accommodation across a portfolio of resorts in differing European countries. Under a Court of Justice of the European Union (ECJ) ruling, VAT must be accounted for in the member state where the accommodation is located and at the time points are redeemed over the life of a membership. This has given rise to considerable practical difficulties in applying it to schemes of this nature.

In accordance with this ruling, VAT is accrued on the completion of each sale of holiday ownership and on the annual maintenance fees billed to the points membership at a blended rate. This rate is subject to a degree of provisional estimation and uses the director's best judgement on the likely number of points to be used in each individual tax jurisdiction across Europe and the differing VAT rates applicable there (see note 16 - taxation & social security).

*Contingent liabilities and recognition of provisions (see notes 18 and 22)*

The company makes provisions when an obligation exists resulting from a past event and it is probable that cash will be paid to settle it, but the amount of cash can only be estimated. Where an obligation is merely a possibility but material enough to a user of accounts, disclosure will be made as a contingent liability.

Using information available at the balance sheet date, the director makes judgements based on experience regarding the level of provision required to account for potential legal settlements.

## 3 Turnover

An analysis of turnover by geographical location has not been presented as the director considers such a disclosure to be prejudicial to the interests of the company.

	2019 £'000	2018 £'000
Sales of holiday ownership	5,868	8,355
Rental revenues	20,978	21,187
Resort management and administration fees	16,220	16,284
	<u>43,066</u>	<u>45,826</u>

## 4 Other operating income

	2019 £'000	2018 £'000
Profit/ (loss) on disposal of surplus points stock	46	(139)
Profit on disposal of surplus non-points stock	516	-
Loss on disposal of tangible fixed assets	(6)	(86)
Commission and fees received	147	210
Relinquishment fees received	770	862
Dividends received	1,267	-
Other income	112	219
	<u>2,852</u>	<u>1,066</u>

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

<b>5</b>	<b>Operating profit/ (loss)</b>	<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
	This is arrived at after charging/(crediting):		
	Foreign exchange differences	(50)	(27)
	Depreciation of tangible fixed assets	350	371
	Cost of sales:		
	- consumables and resort services	557	862
	- timeshare points	467	622
	- timeshare weeks – right of use amortisation	413	1,859
	Operating lease rentals:		
	- land and buildings	428	1,107
	- other	80	50
	Loss on disposal of tangible fixed assets	6	86
	Profit/ loss on disposal of surplus timeshare stock	(562)	139
	Employee reduction – expenses relating to restructuring project	-	521
	Asset reduction – provision against amounts owed by group	1,850	6,064
	Liability increase/(reduction) – deferred rental payments at present value	75	(754)
	Auditors' and associates of company's auditors:		
	- Fees payable for the auditing of the company's annual accounts	164	157
	- Fees payable for the auditing of owners club annual accounts	73	73
	- Fees payable for the auditing of other Diamond group companies	10	10
		<hr/>	<hr/>
<b>6</b>	<b>Employees</b>	<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
	Staff costs (including directors) consist of:		
	Wages and salaries	10,028	10,603
	Social security costs	1,281	1,339
	Other pension costs (see note 28)	176	128
	Staff costs recharged to USA parent undertaking	(2,261)	(2,469)
		<hr/>	<hr/>
		<b>9,224</b>	<b>9,601</b>
		<hr/>	<hr/>
	The average number of employees (including directors) during the year was as follows:	<b>Number</b>	<b>Number</b>
	Finance and administration	245	250
	Sales and marketing	13	14
		<hr/>	<hr/>
		<b>258</b>	<b>264</b>
		<hr/>	<hr/>

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 6 Employees (continued)

3 employees in the year (2018 – 3) are party to a long term incentive scheme which is paid for by a fellow group company in the United States of America, as headed by Dakota Holdings, Inc., c/o Diamond Resorts Holdings LLC, 10600 West Charleston Blvd., Las Vegas, NV 89135. No recharge is made to the company for this (2018 – no recharge).

## 7 Director's remuneration

	2019 £'000	2018 £'000
Aggregate emoluments (including benefits in kind)	196	192

During the year and the preceding year the group did not contribute to the private pension plans of any directors. During the year the director exercised no shares.

## 8 Interest receivable

	2019 £'000	2018 £'000
Interest receivable on bank and other deposits	10	7
Other interest receivable	44	109
	<u>54</u>	<u>116</u>

## 9 Interest payable

	2019 £'000	2018 £'000
Interest payable to fellow group undertakings*	403	536
	<u>403</u>	<u>536</u>

\*Amounts due to group undertakings are unsecured, with any interest chargeable during the year being between 0.6% and 4.0%, have no fixed date of repayment and are repayable on demand.

## 10 Taxation on loss on operating activities

	2019 £'000	2018 £'000
The tax charge represents:		
- UK corporation tax at 19.00% (2018 - 19.00%)	-	-
- Overseas	192	-
- Adjustment in respect of prior years	103	(325)
	<u>295</u>	<u>(325)</u>
Deferred tax (Note 19)	136	386
	<u>431</u>	<u>61</u>
Current tax charge for the year		

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

## 10 Taxation on loss on operating activities *(continued)*

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2019 £'000	2018 £'000
Profit/ (loss) on ordinary activities before tax	412	(6,421)
Profit/ (loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	78	(1,220)
Effect of:		
Expenses not deductible for tax purposes	457	186
Group relief surrendered in the period	(2)	-
Movement in unrecognised deferred tax	(165)	1,587
Difference in overseas tax rates	(40)	(167)
Adjustments in respect of prior years	103	(325)
Current tax charge for the year	431	61

The Government announced that it intends to maintain the rate of corporation tax at 19% for the financial years beginning 1 April 2020 and 1 April 2021. The legislation was introduced in a second reading of the draft Finance Bill 2019-21 on 17 July 2020 and has still to be passed through parliament and into law.

## 11 Tangible fixed assets

	Freehold land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>				
At 1 January 2019	3,308	96	2,652	6,056
Additions	4	-	225	229
Disposals	(20)	(48)	(625)	(693)
Transfer to stocks	-	-	(42)	(42)
Exchange adjustments	(172)	(2)	(85)	(259)
At 31 December 2019	3,120	46	2,125	5,291
<i>Depreciation</i>				
At 1 January 2019	1,278	82	2,197	3,557
Charged in the year	129	8	213	350
Disposals	(20)	(47)	(620)	(687)
Exchange adjustments	(77)	(2)	(75)	(154)
At 31 December 2019	1,310	41	1,715	3,066
<i>Net book value</i>				
At 31 December 2019	1,810	5	410	2,225
At 31 December 2018	2,030	14	455	2,499

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 11 Tangible fixed assets (continued)

Freehold land and buildings includes the cost of improvements to the UK head office held under an operating lease. The net book value of these assets amounted to £14,000 (2018 - £83,000). Depreciation charged on these assets in the year amounted to £73,000 (2018 - £17,000). Depreciation is charged on these assets over the shorter of their estimated useful lives or the remaining term of the operating lease, up to a maximum of 5 years.

## 12 Fixed asset investments

	Shares in Subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	2,744
<b>Accumulated impairment charge</b>	
At 1 January 2019	2,603
Impairment during the year	17
At 31 December 2019	2,620
<b>Net book value</b>	
At 31 December 2019	124
At 31 December 2018	141

The impairments during the period related to the subsidiary undertakings as follows:  
Los Amigos Beach Club Management Limited (now dissolved), Los Amigos Beach Club Limited (now dissolved), LS International Resort Management Limited (written down to £1 as non-trading) and Diamond Resorts Excursions SL (written down to £1 as a result of non-trading).

The company had the following subsidiary undertakings as at 31 December 2019.

Name of subsidiary***	Country of incorporation or registration	Class of share capital held	Proportion of share capital held
<b>Investments held directly:</b>			
<b>Development and/or sale of holiday ownership</b>			
Diamond Resorts Excursions SL	Spain	Ordinary	100%
Diamond Resorts Sales Italy SRL	Italy	Ordinary	100%
Diamond Resorts Voyages SARL	France	Ordinary	100%
<b>Management of resorts and central services</b>			
Diamond Resorts Italia SRL	Italy	Ordinary	100%
IGR Mougins SARL *	France	Ordinary	100%
<b>Dormant (non-trading) undertakings</b>			
Floriana Holdings Limited	Gibraltar	Ordinary	100%
LS International Resort Management Limited	England	Ordinary	100%
Diamond Resorts Broome Park Golf Club Limited	England	Ordinary	100%
<b>Investments held via a subsidiary undertaking:</b>			
<b>Dormant (non-trading) undertakings</b>			
Diamond Resorts Portugal Clube de Ferias LDA	Portugal	Ordinary	4%
<b>Management of resorts and central services</b>			
Vilar do Golf Empreendimentos Turisticos LDA	Portugal	Ordinary	30%

## Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

### 12 Fixed asset investments *(continued)*

Name of subsidiary	Country of incorporation
<b>Clubs**</b>	
Thurnham Owners Club	England
Pine Lake Owners Club	England
Woodford Bridge Country Club	England
Cromer Country Club	England
Kenmore Club	England
Royal Sunset Beach Club	Spain
Royal Tenerife Country Club	Spain
Sahara Sunset	Spain
Sunset Bay	Spain
Sunset Harbour	Spain
Santa Barbara	Spain
Sunset View	Spain
Club del Carmen	Spain
White Sands Beach Club	Spain
Club Cala Blanca	Spain
Los Amigos Beach Club	Spain
Royal Oasis Club at P. Quinta	Spain
The Alpine Club	Austria
Royal Regency	France

\*Shares in this entity are directly owned by a subsidiary of First National Trust Company (Grand Vacation Club Title Limited) and are held on trust for the beneficial interest of points' members. This entity is included by virtue of the Diamond group's management of day to day operations and its entitlement to commercial revenues generated from the assets of the entity.

\*\*These are *unincorporated undertakings* which are consolidated by virtue of the Diamond group's power to exercise control over them.

\*\*\*Details of subsidiary registered offices can be obtained from the Company Secretary, Citrus House, Caton Road, Lancaster, Lancashire, England, LA1 3UA.

### 13 Stocks

	2019 £'000	2018 £'000
Consumables	117	108
Timeshare points in trust	18,612	17,231
Timeshare weeks in trust	7,028	7,441
Other non-points trading stock	3,013	3,143
	<hr/> 28,770 <hr/>	<hr/> 27,923 <hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 14 Debtors

	2019 £'000	2018 £'000
Amounts receivable within one year		
Trade debtors	1,703	1,886
Deferred tax (note 19)	688	883
Corporation tax	275	443
Club maintenance fee debtors	32,195	29,155
Amounts owed by group undertakings	29,165	32,625
Other debtors	1,532	1,881
Prepayments and accrued income	1,810	1,915
Tax and social security	1,659	1,192
	<u>69,027</u>	<u>69,980</u>

Amounts due on Club maintenance fee debtors and owed by group undertakings are unsecured, interest free, and are repayable on demand.

## 15 Cash at bank and in hand

Cash at bank and in hand includes unrestricted cash balances of £25,317,000 (2018 - £29,376,000) held on behalf of the Resort Clubs.

## 16 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts (secured)	14	7
Trade creditors	1,696	1,937
Amounts owed to group undertakings	39,824	40,401
Taxation and social security	16,466	15,491
Amounts due to resort clubs	66,014	67,474
Other creditors	809	867
Accruals	4,130	4,314
Deferred income	5,484	6,975
	<u>134,437</u>	<u>137,466</u>

Bank loans and overdrafts are subject to a composite banking arrangement and any charges payable will be within the terms of this facility (see note 27). Amounts due to group undertakings are unsecured and either interest free or chargeable during the year at rates between 0.6% and 4.0% and are repayable on demand. The amounts owed on behalf of club members are unsecured, interest free and are repayable on demand.

## 17 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred rental payments	<u>12,104</u>	<u>12,415</u>

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 17 Creditors: amounts falling due after more than one year (continued)

Included in creditors due after more than one year are the following amounts repayable in more than five years:

	2019 £'000	2018 £'000
Deferred rental payments	10,551	10,825

The company has rental obligations to other group undertakings as a result of acquiring the beneficial rights to sell holiday accommodation as timeshare points in trust (see note 13). The term of such rental obligations expires in November 2054. No interest is chargeable on these obligations.

The deferred rental balance has been adjusted to reflect the present value of future payments, discounted at a market rate of 0.60% (2018 – 0.60%) applicable to cash deposits. Accordingly, the fair value of the loan is reduced by £1,396,000 (2018 - £1,471,000) as at 31 December 2019.

## 18 Provisions for liabilities

	(1) Holiday ownership claims £'000	(2) Maintenance and repairs £'000	(3) UK taxes £'000	Total £'000
At 1 January 2019	343	30	86	459
Additions	305	-	-	305
Amounts used	(94)	-	-	(94)
At 31 December 2019	554	30	86	670

(1) There is a provision relating to sales of holiday ownership. This is the result of customers' issues regarding product suitability and delivery, and includes an estimate of all costs both direct and indirect.

(2) A provision has been made for dilapidations at leasehold offices.

(3) There is a provision for additional UK VAT that could be payable on prior period sales of points; discussions are still on-going with HMRC on the methodology being used regarding points usage calculations.

## 19 Deferred taxation

The deferred tax asset at 31 December 2019 is in relation to the Spanish region.

	Fixed asset timing differences £'000	Long term Service awards £'000	Unutilised Tax losses & credits £'000	Total £'000
At 1 January 2019	70	392	421	883
Credited/(charged) to ord. activities (tax)	(12)	40	(164)	(136)
Foreign exchange	(3)	(22)	(18)	(43)
Credited/(charged) to ord. activities (other)	-	(17)	-	(17)
At 31 December 2019	55	393	239	687



## Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

### 19 Deferred taxation (*continued*)

The company has an unrecognised deferred tax asset of £16,700,000 (2018 - £17,400,000 - restated), represented by timing differences, deferred revenue, unutilised tax losses and fixed asset timing differences. The reduction of £700,000 is due to tax on ordinary activities in the year of £165,000, (see note 10) and adjustments to prior period tax provisions of £535,000. These assets have not been recognised due to the uncertain timing of future tax recoverability.

The net deferred tax asset expected to reverse in 2020 is £235,000. This primarily relates to the reversal of fixed asset timing differences, a provision for government fines in Spain and utilisation of tax losses. Other net deferred tax assets of £453,000 relating to long term service awards and fixed asset timing differences in Spain are expected to reverse in greater than one year.

### 20 Share capital

	2019 £'000	2018 £'000
<i>Allotted, called up and fully paid</i>		
5,000,100 ordinary shares of £1 each	5,000	5,000

Called up share capital represents the nominal value of the shares issued.

The holders of ordinary shares are entitled to receive dividends only if declared and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

### 21 Reserves

Reserves can be explained as follows:

- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- Merger reserve arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.
- Profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

## **Diamond Resorts (Europe) Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

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### **22 Contingent liabilities**

- (1) The company is aware of tax assessments against overseas resort property owning companies which the company could be required to pay. The company expects that these assessments will be successfully appealed. Accordingly no provision for any liability from such claims has been made in the financial statements as the director believes the possibility of any outflow of resources to be remote.
- (2) In May 2018, a guest sustained injuries while staying at the Kenmore Club, Scotland following the collapse of a balcony. Compensation was agreed with the injured guest and the personal injury claim has been resolved without court intervention. In July 2020, the company received notification that the Procurator Fiscal had determined that a report should be submitted to them by the Local Authority in relation to the incident. The company has not received notification from the Procurator Fiscal as to whether they propose to press charges. If charges were laid (and should the company admit fault), it is estimated that a fine could be assessed in the region of £150,000 to £200,000.
- (3) The company is defending a number of cases which are at various stages in the Spanish court system. The claimants in these cases are asserting that Spanish law applies to their timeshare contract and that Diamond was wrong to apply English law. The legal position is that the Treaty of Rome (which is EU legislation and which takes precedence over domestic legislation) mandates that the parties to a contract can apply whichever law they wish to the contract provided that the choice of law is logical (i.e. that there is a nexus to the law chosen) and the reason for applying the law was not taken to circumvent consumer protection.

With all English resident consumers, the company applied English law and complied with the EU Directive on timeshare as implemented into UK law by the UK Government. Indeed the Timeshare Act 1992 as amended by the 1997 Regulations required Diamond to apply English law where the consumer was a resident in the UK. The company is defending all claims and is confident that it will ultimately prevail.

- (4) A number of complaints have been referred to the Financial Ombudsman Service ("FOS") for adjudication under section 75 of the Consumer Credit Act 1974. The complaints have been brought against consumer credit lending institutions that have funded timeshare sales. These credit institutions have a statutory indemnity against the company in the event that FOS find in favour of the consumer. The complaints have been initiated primarily by claims companies that are actively involved in attacking the timeshare sector.

After carefully reviewing all of the complaints submitted, the company is confident in the strength of its position. The director believes that the majority of the claims as articulated have been brought under a misconceived or flawed premise. Whilst each case needs to be reviewed by FOS on its merits, the decisions returned by FOS thus far (including 4 lead views) have declined to uphold the consumer's complaint.

With regard to sections 3 and 4 above, the complexity of the cases and complaints means that any quantitative estimates of the contingent liability would be both unhelpful and unreliable.

# Diamond Resorts (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 23 Commitments under operating leases

The total future minimum lease commitments under non-cancellable operating leases are payable as follows:

	Land and buildings 2019 £'000	Other 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000
Within one year	125	19	428	44
After one year but within five years	54	23	170	36
After five years	-	-	6	-
	<u>179</u>	<u>42</u>	<u>604</u>	<u>80</u>

## 24 Financial instruments

The company's financial instruments may be analysed as follows:

	2019 £'000	2018 £'000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost:	97,112	99,830
	<u>97,112</u>	<u>99,830</u>
	2019 £'000	2018 £'000
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:	112,487	115,000
	<u>112,487</u>	<u>115,000</u>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors; amounts owed by club members and associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, amounts owed to associated undertakings, other creditors and accruals.

Information regarding the company's exposure to and management of credit risk, liquidity risk, market risk, and cash flow interest rate risk is included in the Director's report.

### Foreign currency risk

The company has manageable exposure to foreign currency risk. A substantial proportion of the points club and timeshare club members' have British nationality and sales of points and annual maintenance fees are in majority billed and collected in Sterling. Although there are managed hotel and timeshare resort operations in continental Europe, the company reviews Euro currency cash-flow and capital expenditure requirements in a timely manner, through analysis of budgetary comparisons and forecasted requirements that are flexed to take account of exchange rate fluctuations.

# **Diamond Resorts (Europe) Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

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## **25 Ultimate parent company and parent undertaking of larger group**

The immediate parent undertaking is Diamond Resorts (Group Holdings) PLC.

The smallest group to consolidate these financial statements is headed by Diamond Resorts (Holdings) Limited. Copies of the Diamond Resorts (Holdings) Limited financial statements can be obtained from the Company Secretary at Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA.

The largest group to consolidate these financial statements is the global parent undertaking of the Diamond group holiday ownership business and related trading activities; Dakota Holdings, Inc., a company incorporated in Delaware, United States of America. Registered office: c/o Diamond Resorts Holdings, LLC, 10600 West Charleston Blvd., Las Vegas, NV 89135.

The director regards Dakota Holdings, Inc. as the company's ultimate controlling party.

## **26 Capital commitments**

There were no capital commitments at 31 December 2019 or 31 December 2018.

## **27 Financial commitments**

- (1) The company is party to a cross guarantee, registered 24 April 2007, which secures the revolving credit facility provided by Diamond Resorts Corporation, a fellow member of the group headed by Dakota Holdings, Inc., at the balance sheet date, to the subsidiary companies. The amount outstanding at the year-end was £65,359,000 (2018 - £65,359,000). The debenture provides a fixed and floating charge over the undertaking and all the assets of the company.
- (2) The company is party to a composite banking arrangement. Under this agreement all indebtedness incurred by the Diamond group companies is secured by a cross guarantee enabling credit balances and deficit balances within the Diamond group to be offset.

## **28 Employer pension scheme**

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company of £176,000 (2018 - £128,000). The amount outstanding to be paid to the scheme at the year-end was £16,000 (2018 - £13,000).

## **29 Events after the balance sheet date**

Since the end of the reporting period Covid-19 has had a significant impact on the company. As at the signing of these financial statements, there has been a significant decline in resort guest numbers as a result of travel bans and quarantines and the temporary closure of Diamond Group properties and resort destinations during 2020.

The director has performed an assessment of the impact of Covid-19 on the company to ascertain if the outbreak or related government actions constitute an adjusting post balance sheet event under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice). Following her review, it has been concluded that the spread of Covid-19 and related government actions occurred after the end of the reporting period and is therefore a non-adjusting event.