

Diamond Resorts AB Acquisition Company Limited

Report and Financial Statements

For the year ended

31 December 2016

Company Number 8217626



Diamond Resorts AB Acquisition Company Limited

Report and financial statements for the year ended 31 December 2016

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Directors

S Crook

Secretary and registered office

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

Company number

8217626

Auditors

BDO LLP, 3 Hardman Street, Manchester, M3 3AT

Diamond Resorts AB Acquisition Company Limited

Report of the directors for the year ended 31 December 2016

The director presents her report together with the audited financial statements for the year ended 31 December 2016.

Principal activities

The company's activities are to provide administrative services and to act as a holding company for the group headed by Diamond Resorts Mediterranean Holdings Limited, Cyprus.

Results

The statement of comprehensive income is set out on page 5 and shows the loss for the year.

The loss for the year after taxation amounted to £12,291,002 (2015 - £357,527). The director does not recommend the payment of a dividend (2015 - £Nil).

Included within administration expenses is £5,753,238 impairment to fixed asset investments and £5,074,553 write off for operational funding provided by a fellow group undertaking, for details of both, see note 3.

In addition, there is also included £1,427,264 of foreign exchange losses relating to the US Dollar denominated loan and credit agreement as mentioned below.

The interest payable of £33,481 is in respect of unpaid interest on a loan and credit agreement with AB Blue Acquisition LLC, a USA registered company and fellow wholly owned member of the group headed by BRH Holdings GP Limited, see note 12.

Principal risks and uncertainties

The market for holiday accommodation in Europe is highly competitive. The major commercial risk for the business relates to the ability of the Mediterranean subsidiary undertakings of the company to generate profits from sales and marketing activities and to create revenues that reduce the carrying costs of unsold accommodation.

The company has no external bank debt, although the parent undertaking does at US level, and has an undertaking from Diamond Resorts International Inc. to provide support as necessary to fund the company's operations for the foreseeable future.

Directors

The directors of the company during the year were:

S Crook

C A Bentley (resigned 27 June 2017)

The director does not have any interest in the share capital of the company.

Diamond Resorts AB Acquisition Company Limited

Report of the directors for the year ended 31 December 2016 (*continued*)

Directors' responsibilities

The director is responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the director 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.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 them 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.

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.

BDO LLP offer themselves for reappointment as auditors in accordance with the Companies Act 2006.

In preparing this directors' report advantage has been taken of the small companies' exemption.

On behalf of the Board

S Crook



Director

Date

10.08.2017

Diamond Resorts AB Acquisition Company Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAMOND RESORTS AB ACQUISITION COMPANY LIMITED

We have audited the financial statements of Diamond Resorts AB Acquisition Company Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with applicable legal requirements.

Diamond Resorts AB Acquisition Company Limited

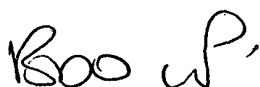
Independent auditor's report (*continued*)

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 director's report.

We have nothing to report in respect of the following matters where 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- The director was not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.



Stuart Wood (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom

Date 10/8/17.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Diamond Resorts AB Acquisition Company Limited

Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 £	2015 £
Administrative expenses		(12,257,521)	(331,820)
Operating loss	3	(12,257,521)	(331,820)
Interest payable to group companies		(33,481)	(25,707)
Loss on ordinary activities before and after taxation for the financial period		(12,291,002)	(357,527)

All amounts relate to continuing activities.

Other Comprehensive Income recognised in the year was £nil (2015: £nil).

The notes on pages 8 to 13 form part of these financial statements.

Diamond Resorts AB Acquisition Company Limited

Statement of Financial Position at 31 December 2016

<i>Company number 8217626</i>	Note	2016 £	2015 £
Fixed assets			
Fixed asset investments	6	5,074	5,758,312
Creditors: amounts falling due within one year	7	(14,634,045)	(8,096,281)
		<hr/>	<hr/>
Total assets less current liabilities		(14,628,971)	(2,337,969)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account	9	(14,628,972)	(2,337,970)
		<hr/>	<hr/>
Shareholders' deficit		(14,628,971)	(2,337,969)
		<hr/>	<hr/>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 10 August 2017.

S Crook
Director



The notes on pages 8 to 13 form part of these financial statements.

Diamond Resorts AB Acquisition Company Limited

Statement of changes in equity for the year ended 31 December 2016

	Share capital £	Profit and loss account £	Total equity £
1 January 2016	1	(2,337,970)	(2,337,969)
Comprehensive income for the year:	-	(12,291,002)	(12,291,002)
Loss for the year	-	(12,291,002)	(12,291,002)
Total comprehensive income for the year	-	(12,291,002)	(12,291,002)
31 December 2016	1	(14,628,972)	(14,628,971)
	Share capital £	Profit and loss account £	Total equity £
1 January 2015	1	(1,980,443)	(1,980,442)
Comprehensive income for the year:	-	(357,527)	(357,527)
Loss for the year	-	(357,527)	(357,527)
Total comprehensive income for the year	-	(357,527)	(357,527)
31 December 2015	1	(2,337,970)	(2,337,969)

The notes on pages 8 to 13 form part of these financial statements.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the year ended 31 December 2016

1 Accounting policies

Diamond Resorts AB Acquisition Company Limited is a company 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 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 of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- The requirements of Section 7 Statement of Cash Flows
- The requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A providing the equivalent disclosures required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in net assets, because of an undertaking by Diamond Resorts International Inc. to provide or procure sufficient financial support for the foreseeable future to enable liabilities to be met as they fall due.

The company is exempt from preparing consolidated financial statements on the grounds that it qualifies under Section 400 of the Companies Act 2006 as a wholly owned subsidiary of an ultimate parent company registered in England and Wales for which consolidated financial statements are prepared (Diamond Resorts (Holdings) Limited). These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

Investments

Investments are stated as cost less amounts written off.

Financial assets

Financial assets, other than investments and derivatives, 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, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

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 balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

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:

Fixed asset Investments (see note 6)

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments at fair value through comprehensive income. In determining this amount, the Group applies the overriding concept that fair 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 group recognises that a reliable measurement of fair 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 group undertakings) and £1.

The impairment charge in the period relates to the director's estimate that the fair value in certain subsidiary undertakings has declined to £1, this being higher than the net liabilities reported.

3 Operating loss

The operating loss is stated after charging impairment to fixed asset investments of £5,753,238. The investment in Aegean Blue Holdings Limited has been written down to its net asset value at 31 December 2016.

In addition, the company has been charged £5,074,553 by a fellow group undertaking, Diamond Resorts (Europe) Limited. This expense relates to operational funding that was previously provided to a subsidiary undertaking of a direct investment of the company for marketing of holiday ownership in the Mediterranean.

The audit fee for the company is borne by a fellow group undertaking, Diamond Resorts (Europe) Limited.

The interest payable is attributable to a loan from a fellow group undertaking.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

4 Directors and employees

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

5 Taxation on profit on ordinary activities

The tax assessed for the period is lower than the standard rate of corporation tax in the UK applied to the loss before tax.

	2016 £	2015 £
Loss on ordinary activities before tax	(12,291,002)	(357,527)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20% (20.25%)	(2,458,200)	(72,399)
Effect of: Permanent Differences	2,458,200	72,399
Current tax charge for the period	-	-

There was no deferred tax asset recognised at 31 December 2016 due to the uncertain timing of future tax recoverability.

6 Fixed asset investments

	£
At 1 January 2016	5,758,312
Impairment	(5,753,238)
At 31 December 2016	5,074

For details of the impairment, see note 3.

The group headed by the company had the following subsidiary undertakings as at 31 December 2016.

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held
Investments held directly:			
Development and/or sale of holiday ownership			
Aegean Blue Holdings Limited	Cyprus	Ordinary	100%
Diamond Resorts Mediterranean Holdings Limited	Cyprus	Ordinary	100%
Investments held via a subsidiary undertaking:			
Management of resorts and central services			
Diamond Resorts Mediterranean PLC	Cyprus	Ordinary	99.98%
Diamond Resorts Mediterranean Management Limited	Cyprus	Ordinary	100%
Club Resorts MEPE	Greece	Ordinary	100%

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

7 Creditors: amounts falling due within one year

	2016 £	2015 £
Loan from fellow group company	8,805,386	7,344,641
Amounts owed to group undertakings	5,828,659	751,640
	<u>14,634,045</u>	<u>8,096,281</u>

Details of the loan from a fellow group company based in the United States of America are given in note 12.

8 Share capital

	2016 £	2015 £
Allotted, called up and fully paid 1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

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

9 Reserves

	Profit and loss account £
At 1 January 2016	(2,337,970)
Loss for the year	(12,291,002)
	<u>(14,628,972)</u>
At 31 December 2016	<u>(14,628,972)</u>

Profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

10 Financial Instruments

2016	Carrying amount £	Within 1 year or on demand £
Financial liabilities		
Financial liabilities measured at amortised cost	14,634,045	14,634,045
	<u>14,634,045</u>	<u>14,634,045</u>
	<u>14,634,045</u>	<u>14,634,045</u>
2015	Carrying amount £'000	Within 1 year or on demand £'000
Financial liabilities		
Financial liabilities measured at amortised cost	8,096,281	8,096,281
	<u>8,096,281</u>	<u>8,096,281</u>
	<u>8,096,281</u>	<u>8,096,281</u>

Financial liabilities measured at amortised cost comprise loan from fellow group member, amounts owed to group undertakings and accruals.

11 Ultimate parent company

On 2 September 2016 Diamond Resorts International Inc. completed a definitive merger agreement and was acquired by affiliates of certain funds managed by affiliates of Apollo Global Management LLC, a New York Stock Exchange listed entity in the USA.

As at that date, the director now regards BRH Holdings GP Limited, a company incorporated in the Cayman Islands, a British overseas territory, as the company's ultimate parent undertaking. Registered office: c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Cayman Islands KY1-9005.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

12 Related party disclosures

The company entered into a loan and credit agreement for the initial principal amount of £4,046,713 with AB Blue Acquisition LLC, a USA registered company and fellow wholly owned member of the group headed by BRH Holdings GP Limited. Under this credit agreement the outstanding principal and interest unpaid shall be due and repayable on demand. However, the directors reached agreement with the fellow group member to extend repayment until it is feasible for the company to obtain the relevant funds to finance this. The percentage rate of interest chargeable on the loan is 0.5% per annum (2015 - 0.5% per annum). The balance owed at 31 December 2016 was £8,805,386 (2015 - £7,344,641).

13 Capital commitments

There were no capital commitments at 31 December 2016.