

Diamond Resorts AB Acquisition Company Limited

Report and Financial Statements

For the period ended

31 December 2013

Company Number 8217626

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Diamond Resorts AB Acquisition Company Limited

Report and financial statements for the period ended 31 December 2013

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Directors

S J Hulme
S Crook
C A Bentley

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 period ended 31 December 2013

The directors present their report together with the audited financial statements for the period ended 31 December 2013

Principal activities

The company was incorporated on the 17 September 2012. 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.

On 5 October 2012 the company completed the acquisition of the Mediterranean based sales and marketing business mentioned above (formerly Aegean Blue Holdings Limited).

Results

The profit and loss account is set out on page 5 and shows the loss for the period.

The loss for the period after taxation amounted to £1,362,154. The directors do not recommend the payment of a dividend.

Included within administration expenses are £365,445 of fees and costs relating to legal and professional advisory services. These fees were incurred in respect of the integration and restructuring of the acquired Mediterranean business.

The interest payable of £947,989 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 Diamond Resorts International Inc (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 ultimate parent undertaking does at US level, and has an undertaking from Diamond Corporation to provide support as necessary to fund the company's operations for the foreseeable future. It should be noted, however, that the Company is party to a cross guarantee, created 2 February 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 US group level.

Directors

The directors of the company during the period were

S J Hulme, appointed 28 September 2012
S Crook, appointed 17 September 2012
C A Bentley, appointed 28 September 2012

None of the directors have any interest in the share capital of the company.

Diamond Resorts AB Acquisition Company Limited

Report of the directors for the period ended 31 December 2013 (*continued*)

Directors' responsibilities

The directors are responsible for preparing 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 directors have 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 directors must not approve the financial statements unless they are 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 directors are 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 directors are 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

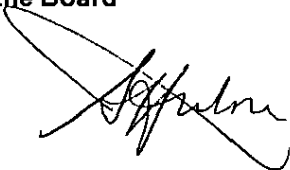
Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO 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.

By order of the Board



S J Hulme

Director

Date

27th June 2014

Diamond Resorts AB Acquisition Company Limited

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 period ended 31 December 2013 which comprise the profit and loss account, the balance sheet 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 directors are 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 2013 and of its loss for the period 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 the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

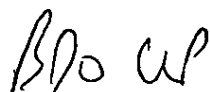
Diamond Resorts AB Acquisition Company Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime and to the exemption from the requirement to prepare a strategic report



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

Date

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

Diamond Resorts AB Acquisition Company Limited

Profit and loss account for the period ended 31 December 2013

	Note	15 months to 31 Dec 2013 £
Administrative expenses		(414,165)
		<hr/>
Operating loss	2	(414,165)
Interest payable to group companies		(947,989)
		<hr/>
Loss on ordinary activities before and after taxation for the financial period		(1,362,154)
		<hr/>

All amounts relate to continuing activities

All recognised gains and losses in the current period are included in the profit and loss account

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

Diamond Resorts AB Acquisition Company Limited

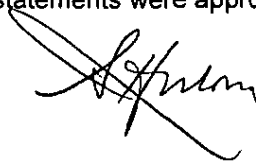
Balance sheet
at 31 December 2013

Company number 8217626	Note	2013 £
Fixed assets		
Fixed asset investments	5	6,441,193
Creditors' amounts falling due within one year	6	(2,906,847)
Total assets less current liabilities		3,534,346
Creditors: amounts falling due after more than one year	7	(4,896,499)
		(1,362,153)
Capital and reserves		
Called up share capital	8	1
Profit and loss account	9	(1,362,154)
Shareholders' deficit	10	(1,362,153)

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

S J Hulme
Director



27th June 2014

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

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the period ended 31 December 2013

1 Accounting policies

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

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in net assets, because of an undertaking by Diamond Resorts Corporation 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

Cash flow statement

The company has taken advantage of the exemption provided by FRS 1 and has not prepared a cash flow statement as its results are included in the consolidated results of Diamond Resorts (Holdings) Limited, which can be obtained from Companies House

Investments

Investments are stated as cost less amounts written off

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

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

2 Operating loss

The administrative expenses are attributable to legal and professional advisory services received and to foreign exchange gains and losses on the long term liabilities

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 period ended 31 December 2013 *(continued)*

3 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.

4 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.

	Period to 31 Dec 2013 £
Loss on ordinary activities before tax	(1,362,154)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23.31%	(317,518)
Effect of Tax asset not recognised	317,518
Current tax charge for the period	-

There was no deferred tax asset recognised at 31 December 2013 due to the uncertain timing of future tax recoverability.

5 Fixed asset investments

	2013 £
Cost Additions	6,441,193
At 31 December 2013	6,441,193

On 5 October 2012 the company acquired 100% of the issued share capital of Diamond Resorts Mediterranean Holdings Limited (formerly Aegean Blue Holdings Limited), a company registered in Cyprus for total consideration of £6,441,193.

The consideration paid consisted of the following elements:

	£
Loan from fellow group member, AB Blue Acquisition LLC (note 12)	4,046,713
Accrued business acquisition costs, Earn out Deed (note 12)	2,293,533
Acquisition costs	100,947
Total consideration	6,441,193

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the period ended 31 December 2013 *(continued)*

5 Fixed asset investments *(continued)*

The investment heads a Cypriot and Greek based sales and marketing business, full details of this acquisition can be found in the consolidated financial statements of Diamond Resorts (Holdings) Limited for the year ended 31 December 2012

6 Creditors, amounts falling due within one year

	2013 £
Amounts owed to group undertakings	500,658
Accruals and deferred income	2,406,189
	<hr/> 2,906,847 <hr/>

Amounts due to group undertakings are repayable on demand

The accruals and deferred income balance includes amounts owing under a related party transaction (Earn out Deed), details of this are given in note 12

7 Creditors: amounts falling due after more than one year

	2013 £
Loan from fellow group company	4,896,499
	<hr/> 4,896,499 <hr/>

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

8 Share capital

	2013 £
Allotted, called up and fully paid 1 Ordinary share of £1 each	1
	<hr/> 1 <hr/>

9 Reserves

	Profit and loss account £
Loss for the period	(1,362,154)
	<hr/>
At 31 December 2013	(1,362,154) <hr/>

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the period ended 31 December 2013 (*continued*)

10 Reconciliation of movements in shareholders' deficit

	2013 £
Issue of 1 Ordinary share on incorporation	1
Loss for the period	(1,362,154)
	<hr/>
Closing shareholders' deficit	(1,362,153)
	<hr/>

11 Ultimate parent company

The directors regard Diamond Resorts International Inc as the company's ultimate parent undertaking

The smallest group in which the results of the company are consolidated is that headed by Diamond Resorts (Holdings) Limited, whose principal place of business is at Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA. The consolidated accounts of the group can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

12 Related party disclosures

- (1) The company has entered into a loan and credit agreement with AB Blue Acquisition LLC, a USA registered company and fellow wholly owned member of the group headed by Diamond Resorts International Inc for a principal sum of £4,046,713.

Under this credit agreement the outstanding principal and interest unpaid shall be due and repayable by no later than 30 June 2015. The percentage rate of interest chargeable on the loan is 18% per annum. The balance owed at 31 December 2013 was £4,896,499.

- (2) On 5 October 2012 the company completed the acquisition of the Cypriot and Greek based sales and marketing business, Diamond Resorts Mediterranean Holdings Limited, (formerly Aegean Blue Holdings Limited). As part of the total consideration the company agreed to pay an additional purchase price of £2,293,533 in accordance with an agreed Earn out Deed. Payments under this agreement will be made to the Earn out Sellers dependent upon the financial performance of the acquired business over a period of five financial years up to 31 December 2017. The Earn out Sellers are and shall continue to be involved in the business and provide benefit to the company. The Directors' fair valuation of these payments as at 31 December 2013 was £2,399,866.

The company has taken advantage of the exemption included in FRS 8 and has not disclosed further transactions with other wholly owned members of the group headed by Diamond Resorts International Inc.

13 Initial Public Offering – ultimate parent undertaking

On 11 January 2013 a new ultimate parent undertaking for Diamond's global operations was incorporated in the United States of America with the sole purpose of changing the organisation structure prior to an initial public offering. The equity interests of each member of Diamond LLC were contributed to this new holding company in exchange for shares in the corporation. As a result, the group now considers Diamond Resorts International Incorporated (see note 11) as the ultimate parent undertaking. The Initial public offering was successfully completed on 19 July 2013 and the corporation sold 14 million shares at a price of \$14 per share. These shares will be traded on the New York Stock Exchange. Diamond resorts said in a regulatory filing that it plans to use the net proceeds remaining from the \$196m offering to help pay down debt and fund working capital and other general corporate purposes.

Diamond Resorts AB Acquisition Company Limited

**Notes forming part of the financial statements
for the period ended 31 December 2013 (*continued*)**

14 Capital commitments

There were no capital commitments at 31 December 2013