

Diamond Resorts AB Acquisition Company Limited

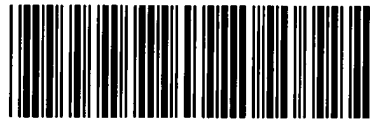
Report and Financial Statements

For the year ended

31 December 2017

Company Number 08217626

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Diamond Resorts AB Acquisition Company Limited

Report and financial statements for the year ended 31 December 2017

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Directors

S Crook

Secretary and registered office

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

Company number

08217626

Auditor

Deloitte LLP, 2 Hardman Street, Manchester, M60 2AT

Diamond Resorts AB Acquisition Company Limited

Report of the directors for the year ended 31 December 2017

The director presents the report together with the audited financial statements for the year ended 31 December 2017.

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 and review of the business

The statement of comprehensive income is set out on page 6 and shows the profit for the year.

The profit for the year after taxation amounted to £715,291 (2016 loss – £12,291,002). The director does not recommend the payment of a dividend (2016 - £Nil).

Included within administration expenses are £750,681 (2016 – loss of £1,427,264) of foreign exchange gains relating to the US Dollar denominated loan and credit agreement, as mentioned below.

The interest payable of £35,104 (2016 - £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 Dakota Holdings 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 with regard to the disposal of unsold timeshare accommodation.

The company has no external bank debt, although the parent undertaking does at US level, and has an undertaking from Dakota Holdings, Inc. to provide support as necessary to fund the company's operations for the foreseeable future and to create revenues from the management of owner's club collections.

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.

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.

Likely future developments in the business of the company

The director does not anticipate any significant change in the company's business for the foreseeable future.

Diamond Resorts AB Acquisition Company Limited

Report of the directors for the year ended 31 December 2017 (continued)

Directors' responsibilities

The director is responsible for preparing the strategic report, the director's 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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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. The director is responsible for the maintenance and integrity of the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Deloitte LLP offer themselves for appointment 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

Diamond Resorts AB Acquisition Company Limited, Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA

Date 31 May 2018

Diamond Resorts AB Acquisition Company Limited

Independent auditor's report

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Diamond Resorts AB Acquisition Company Limited) which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Diamond Resorts AB Acquisition Company Limited

Independent auditor's report (continued)

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are 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 directors determine 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 directors are 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 directors either intend 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: 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.

Report on other legal and regulatory requirements

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

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 any material misstatements in the directors' report.

Diamond Resorts AB Acquisition Company Limited

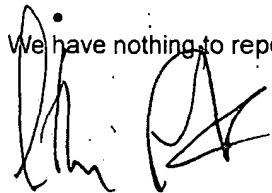
Independent auditor's report (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Anthony J Farnworth (senior statutory auditor)
For and on behalf of Deloitte LLP, statutory auditor
Manchester
United Kingdom

Date

31/5/18

Diamond Resorts AB Acquisition Company Limited

Statement of Comprehensive Income for the year ended 31 December 2017

	Note	2017 £	2016 £
Administrative expenses		750,395	(12,257,521)
Operating profit/(loss)	3	750,395	(12,257,521)
Interest payable to group companies		(35,104)	(33,481)
(Profit)/loss on ordinary activities before taxation		715,291	(12,291,002)
Taxation on (profit)/loss on ordinary activities		-	-
Profit/(loss) on ordinary activities after taxation for the financial year		715,291	(12,291,002)

All amounts relate to continuing activities.

Other Comprehensive Income recognised in the year was £nil (2016: £nil).

The notes on pages 9 to 14 form part of these financial statements.


Diamond Resorts AB Acquisition Company Limited

Statement of Financial Position as at 31 December 2017

Company number 8217626	Note	2017 £	2016 £
Fixed assets			
Fixed asset investments	6	5,074	5,074
Creditors: amounts falling due within one year	7	(13,918,754)	(14,634,045)
Net liabilities		<u>(13,913,680)</u>	<u>(14,628,971)</u>
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account	9	(13,913,681)	(14,628,972)
Shareholders' deficit		<u>(13,913,680)</u>	<u>(14,628,971)</u>

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 31 May 2018

S Crook 
Director
Company number 8217626

The notes on pages 9 to 14 form part of these financial statements.

Diamond Resorts AB Acquisition Company Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital £	Profit and loss account £	Total equity £
1 January 2017	1	(14,628,972)	(14,628,971)
Comprehensive income for the year:			
Profit for the year	-	715,291	715,291
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	715,291	715,291
	<hr/>	<hr/>	<hr/>
31 December 2017	1	(13,913,681)	(13,913,680)
	<hr/>	<hr/>	<hr/>

	Share capital £	Profit and loss account £	Total equity £
1 January 2016	1	(2,337,970)	(2,337,969)
Comprehensive loss for the year:			
Loss for the year	-	(12,291,002)	(12,291,002)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(12,291,002)	(12,291,002)
	<hr/>	<hr/>	<hr/>
31 December 2016	1	(14,628,972)	(14,628,971)
	<hr/>	<hr/>	<hr/>

The notes on pages 9 to 14 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 2017

1 Accounting policies

Diamond Resorts AB Acquisition Company 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 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 requirement of Section 33 Related Party Disclosures, including compensation of key management personnel.

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in net assets, because of an undertaking by Dakota Holdings, 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 2017 (*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 profit/(loss)

The operating profit includes foreign exchange gains of £750,681 (2016 – foreign exchange loss of £1,427,264).

In 2016 the administrative expenses included an impairment charge relating to fixed asset investments of £5,753,238. In addition, the company was charged £5,074,553 by a fellow group undertaking, Diamond Resorts (Europe) Limited. This expense related 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. During 2017 there were no such write down's or expense recharges.

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 2017 (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 profit/(loss) before tax.

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	715,291	(12,291,002)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	137,694	(2,458,200)
Effect of: Permanent Differences	(137,694)	2,458,200
Current tax result for the period	-	-

There was no deferred tax asset recognised at 31 December 2017 due to group relief claimed or surrendered.

The Government announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. The legislation has been given effect by Finance Bill 2016 which was substantively enacted on 6 September 2016.

6 Fixed asset investments

The group headed by the company had the following subsidiary undertakings as at 31 December 2017.

	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			
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 2017 *(continued)*

7 Creditors: amounts falling due within one year

	2017 £	2016 £
Loan from fellow group company	8,089,812	8,805,386
Amounts owed to group undertakings	5,828,942	5,828,659
	<u>13,918,754</u>	<u>14,634,045</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

	2017 £	2016 £
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 2017	(14,628,972)
Profit for the year	715,291
	<u>(13,913,681)</u>
At 31 December 2017	<u>(13,913,681)</u>

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

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

10 Financial Instruments

2017	Carrying amount £	Within 1 year or on demand £
Financial liabilities		
Financial liabilities measured at amortised cost	13,918,754	13,918,754
	<u>13,918,754</u>	<u>13,918,754</u>
2016	Carrying amount £'000	Within 1 year or on demand £'000
Financial liabilities		
Financial liabilities measured at amortised cost	14,634,045	14,634,045
	<u>14,634,045</u>	<u>14,634,045</u>

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

Cash flow interest rate risk

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The interest rates and terms of repayment of the company's loans are disclosed in note 12 to the financial statements. The company's policy is to obtain the most favourable interest rates available for its borrowings. Except for the company's loan with a fellow Diamond group undertaking, the company has no external borrowings.

11 Ultimate parent company

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.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

11 Ultimate parent company (continued)

The director regards BRH Holdings GP Limited, a company incorporated in the Cayman Islands, a British overseas territory, as the company's ultimate controlling party. Registered office: c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Cayman Islands KY1 9005.

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 Dakota Holdings, Inc., 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 (2016 - 0.5% per annum). The balance owed at 31 December 2017 was £8,089,812 (2016: £8,805,386).

13 Capital commitments

There were no capital commitments at 31 December 2017.