

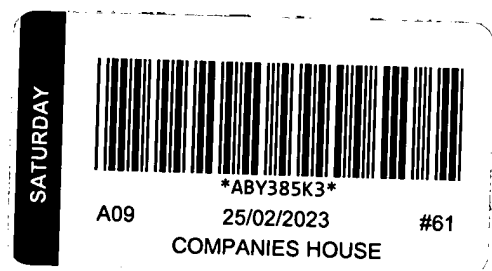
Diamond Resorts AB Acquisition Company Limited

Report and Financial Statements

For the year ended

31 December 2021

Company Number 08217626



Diamond Resorts AB Acquisition Company Limited

**Report and financial statements
for the year ended 31 December 2021**

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Directors

B Brown
S Bonck
C Hernandez

Secretary and registered office

J Dickinson, Citrus House, Caton Road, Lancaster, Lancashire, England, LA1 3UA

Company number

08217626

Auditor

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

Diamond Resorts AB Acquisition Company Limited

Report of the directors for the year ended 31 December 2021

The directors present the report together with the audited financial statements for the year ended 31 December 2021.

Principal activities

The company's activities are 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 loss for the year.

The loss for the year after taxation amounted to £115,492 (2020 – £250,419 profit). The directors do not recommend the payment of a dividend (2020 - £Nil).

Included within administration expenses are £83,022 of foreign exchange losses (2020 – £286,030 of foreign exchange gains) relating to the US Dollar denominated loan and credit agreement, as mentioned below.

The interest payable of £32,781 (2020 - £35,247) 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 Hilton Grand Vacations, Inc., see note 10.

On 10 March 2021, Hilton Grand Vacations, Inc. announced that it had entered into a definitive agreement to acquire Diamond Resorts International, Inc. (the independent timeshare operator of which this company was a subsidiary), in a stock-based transaction. The agreement, unanimously agreed by the Board of Directors for both companies, completed on 2 August 2021. From that date, the directors regarded Hilton Grand Vacations, Inc. as the company's ultimate controlling party.

Principal 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 Diamond group, as headed by Diamond Resorts (Holdings) Limited (see note 9), 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 the stock of that group.

To help the group business mitigate this risk and take corrective action, close attention is directed towards the financial success of converting onsite resort guests to holiday ownership and the rental room rates achieved from a dynamic online market.

Directors

The directors of the company during the year and as at the date of the approval of the financial statements were:

S Crook (resigned 31 October 2022)
B Brown (appointed 31 October 2022)
S Bonck (appointed 31 October 2022)
C Hernandez (appointed 31 October 2022)

The directors do not have any interest in the share capital of the company.

Going Concern

Please refer to the accounting policy relating to the basis of going concern on page 8.

Diamond Resorts AB Acquisition Company Limited

Report of the directors for the year ended 31 December 2021 (continued)

Directors' liabilities

The company has granted an indemnity to the directors 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 directors' report.

Likely future developments in the business of the company

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

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 those financial statements, the directors are required to:

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

The 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.

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

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

On behalf of the Board

B Brown *Bruce Brown*

Director

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

Date 22/02/23

Diamond Resorts AB Acquisition Company Limited

Independent auditor's report to the members of Diamond Resorts AB Acquisition Company Limited

Opinion

We have audited the financial statements of Diamond Resorts AB Acquisition Company Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position and notes to the financial statements, including 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 2021 and of its loss 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Diamond Resorts AB Acquisition Company Limited

Independent auditor's report to the members of Diamond Resorts AB Acquisition Company Limited (continued)

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.

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 directors' 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 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 in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

Diamond Resorts AB Acquisition Company Limited

Independent auditor's report to the members of Diamond Resorts AB Acquisition Company Limited (continued)

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of internal control as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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.

Jacqui Baker

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

Date: 23/02/23

Diamond Resorts AB Acquisition Company Limited

Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £	2020 £
Administrative expenses – foreign exchange (losses)/ gains on USD loan		(83,022)	286,030
Administrative credit/ (expenses) – other		311	(364)
Operating (loss)/ profit	2	(82,711)	285,666
Interest payable to group companies		(32,781)	(35,247)
(Loss)/ profit on ordinary activities before taxation		(115,492)	250,419
Taxation on profit on ordinary activities	4	-	-
(Loss)/ profit on ordinary activities after taxation for the financial year		(115,492)	250,419

All amounts relate to continuing activities.

Other Comprehensive Income recognised in the year was £nil (2020: £nil).

The notes on pages 8 to 11 form part of these financial statements.

Diamond Resorts AB Acquisition Company Limited

Statement of Financial Position as at 31 December 2021

<i>Company number 8217626</i>	Note	2021 £	2020 £
Fixed assets			
Fixed asset investments	5	1	1
Creditors: amounts falling due within one year	6	(14,040,380)	(13,924,888)
Net liabilities		(14,040,379)	(13,924,887)
Capital and reserves			
Called up share capital	7	1	1
Profit and loss account	8	(14,040,380)	(13,924,888)
Shareholders' deficit		(14,040,379)	(13,924,887)

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 22/02/23

Bruce Brown

B Brown
Director

The notes on pages 8 to 11 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 2021

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 directors' report.

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime, and under the historical cost convention. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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.

Going concern

The current economic conditions continue to create uncertainty over (a) the level of demand for the consolidating group's products, (details of the upward consolidating group can be found in note 9); and (b) the availability of the consolidating group's banking facilities for a period of 12 months from the date of signing of the financial statements should additional working capital be required. The company is financed by a fellow group undertaking and such uncertainties could impact the ability of the fellow group undertaking to continue to provide the finance allowing the company to meet its obligations as they fall due.

Notwithstanding the net liabilities position of £14.0m shown in the company statement of financial position, (see page 7) the company and group are able to meet day-to-day working capital requirements through their bank balances and a funding facility that is available from the ultimate US based parent. In addition, the company and consolidating group have in place a letter of support from Hilton Grand Vacations, Inc.

The consolidating 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 financial resources made available in accordance with a letter of support from Hilton Grand Vacations, Inc., the 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 directors are not aware of any uncertainties which could have a material impact on going concern.

After making enquiries, the directors have 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:

Investments

Investments are stated as cost less impairment.

Financial assets

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

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

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.

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 Operating loss

The operating loss includes foreign exchange loss of £83,022 (2020 – foreign exchange gain of £286,030).

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.

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 (loss)/ 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)/ profit before tax.

	2021 £	2020 £
(Loss)/ profit on ordinary activities before tax	(115,492)	250,419
(Loss)/ profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	(21,943)	47,580
Non-deductible expenditure/ Non-taxable (income)	21,943	(47,580)
Current tax result for the period	-	-

The company has an unrecognised deferred tax asset of £nil (2020 – £nil).

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 *(continued)*

5 Fixed asset investments

	Shares in subsidiary undertakings £
<i>Cost</i>	
At 1 January 2021 and 31 December 2021	6,441,193
<i>Accumulated impairment charge</i>	
At 1 January 2021 and 31 December 2021	6,441,192
<i>Net book value</i>	
At 31 December 2021	1
At 31 December 2020	1

The investment and impairment relate to the subsidiary undertaking Diamond Resorts Mediterranean Holdings Limited. This investment has been written down to the higher of net realisable value (a measure of subsidiary net assets excluding balances with fellow group undertakings) and £1.

The group headed by the company had the following subsidiary undertakings as at 31 December 2021.

Name of subsidiary*	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%

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

6 Creditors: amounts falling due within one year

	2021 £	2020 £
Loan from fellow group company	8,211,586	8,095,783
Amounts owed to group undertakings	5,828,794	5,829,105
	<u>14,040,380</u>	<u>13,924,888</u>

See note 10 for details of the loan from a fellow group company based in the United States of America. Amounts due to group undertakings are interest free and repayable on demand.

Diamond Resorts AB Acquisition Company Limited

Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

7 Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1

Called up share capital represents the nominal value of the shares issued. The shares carry equal rights with regard to distribution of dividends and repayment of capital.

8 Reserves

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

9 Ultimate parent company

- (1) The immediate parent undertaking is Diamond Resorts (Group Holdings) PLC.
- (2) 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.
- (3) On 2 August 2021, Hilton Grand Vacations, Inc., a company incorporated in Delaware, United States of America and listed on the New York Stock Exchange confirmed its acquisition of Diamond Resorts International, Inc. (the independent timeshare operator of which this company is a subsidiary), in a stock-based transaction. From that date, the directors consider this the company's ultimate controlling party. The registered office of Hilton Grand Vacations, Inc. is 6355 MetroWest Blvd., Suite 180, Orlando, FL 32835.

10 Related party disclosures

The company 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 Hilton Grand Vacations, 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 (2020 - 0.5% per annum). The balance owed at 31 December 2021 was £8,211,586 (2020: £8,095,783).

11 Capital commitments

There were no capital commitments at 31 December 2021.

12 Financial Commitments

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.