

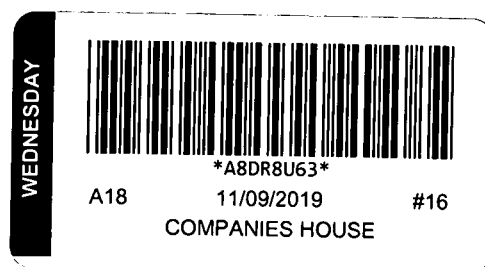
Diamond Resorts (Holdings) Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number 05071128



Diamond Resorts (Holdings) Limited

Report and financial statements for the year ended 31 December 2018

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Director

S Crook

Secretary and registered office

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

Company number

5071128

Auditors

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

Diamond Resorts (Holdings) Limited

Strategic report for the year ended 31 December 2018

The director presents the strategic report together with the audited financial statements for the year ended 31 December 2018.

Principal activity

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

Review of the business

The consolidated loss for the year after taxation amounted to £2.7m (2017 - £6.1m loss). The director does not recommend the payment of a dividend (2017 - £Nil).

The group result on ordinary activities improved by £3.4m compared with the prior year. The main factors were as follows:

- (1) £2.0m decrease in staff redundancy related expenditure due to the restructuring of the sales & marketing operations implemented in the prior year, particularly in the UK and Spanish regions. This resulted in a curtailment of operations at many selling sites and marketing call centres in late 2017 due to the prohibitive costs of generating tour-flows and the low volumes being achieved from those prospects.
- (2) £2.4m uplift in the operating result from sales of holiday ownership. The majority of such sales are now generated through selling agents, and this will be discussed later.
- (3) The carrying expense of unoccupied resort accommodation in the holiday ownership system has reduced by £2.1m, with a higher proportion of the group's monetary exposure being offset by additional revenues from rental guests (see note 3).

To partly offset the above positive factors were the following adverse comparatives:

- (4) The group has recognised a diminution in the value of its stock of timeshare weeks in the Mediterranean region; taking a £1.9m charge to recognise the proportion of usage rights that have elapsed or been returned to third parties.
- (5) In the prior year the group concluded a sale of the resort properties and golf club business at the Broome Park estate, Canterbury, Kent, for a fee of £5.0m. The profit recorded on the non-points stock of property at this resort was £0.9m (see note 4).

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

As discussed in the previous financial statements, the reorganisation of the sales and marketing operation and linked administrative departments was successfully completed during the period under review and has had a positive impact on the group operating result.

The director and other key management personnel are pleased with the increased rental revenues and also the positive impact on profitability achieved through the recent restructuring.

Diamond Resorts (Holdings) Limited

Strategic report for the year ended 31 December 2018 (*continued*)

Key Performance Indicators

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

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

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

Turnover decreased by 11%:

- (1) Sales of full holiday ownership and shorter term timeshare products were a combined £7.2m lower this year. The aforementioned restructuring exercise was completed and internal selling operations were in majority replaced with third party sales agencies trading under contractual agreements to mitigate group financial exposure and provide certainty over margins achieved, although a small internal sales operation still remains. The mix of sales transactions has changed markedly as a result, with 69% generated by agencies, (2017 – 5% from agencies). Due to the reduced size of the operation the number of completed sales transactions has fallen considerably. The average points in a purchase transaction is lower this year but the price per point has been raised slightly and more than mitigates this impact. Accordingly, there was a rise in total group holiday ownership volumes per guest to £1,015 this year (2017 - £902), marketing tour-flow targeted at selling holiday ownership across Europe reflects the downsized footprint at 4,785 tours, (2017 - 14,556 tours).
- (2) Revenues derived from hotel and timeshare resorts managed or owned by the group were largely comparable, with any impact of reduced membership numbers being largely offset by a rise in management and administration fees charged per member, in majority this has been the result of the strong Euro currency and the rise in underlying resort expense. Members of the European Collection holiday ownership occupied 355,000 room nights during the year (2017 – 392,000 room nights). This equated to 36% of available accommodation across the portfolio of resorts (2017 - 39% of available accommodation). Members of traditional timeshare resorts occupied 57,000 room nights during the year (2017 – 61,000 room nights). This equated to 6% of available accommodation (2017 – 6% of available accommodation).
- (3) Following a presentational review; the director feels that it is more appropriate to show recharges of staff costs to the USA based Diamond group parent undertaking as a reduction in expenses rather than within turnover as in the prior year. As a result, there is a turnover reduction of £2.0m.
- (4) Additional income of £2.8m was earned from the relationship with preferred rental partners. These rental partners occupied a higher level of total resort room space as allocated from the developer's portion, being 36% this year (2017 - 31% of space), equating to 357,000 room nights (2017 - 308,000 room nights). The average daily rate charged to guests was comparable (2018 - £62 per night, 2017 - £63 per night). This income partly reduces the developer's liability for unsold inventory and its associated accommodation expense. The rental market continues to be competitive and the group utilises strategies to track location specific pricing trends and to offer dynamic room rates to online travel partners.

Cost of sales increased by 43%:

This increase was principally driven by the aforementioned £1.9m usage rights charge discussed in the review of the business on page 1. However, to partly offset, following the drop off in sales of holiday ownership points as discussed within the above turnover commentary, the cost of points sold diminished by £0.7m with the total number of European Collection points sold being 5.1m points (2017 – 13.7m).

Diamond Resorts (Holdings) Limited

Strategic report for the year ended 31 December 2018 (*continued*)

Key Performance Indicators (*continued*)

Distribution costs decreased by 28%:

- (1) £8.9m decrease in indirect and direct selling costs, the majority of which was for staff salary and commission following the reorganisation of the sales and marketing operation.
- (2) £2.0m decrease in staff redundancy expenditure due to the restructuring of the sales and marketing operation in the prior year.
- (3) £0.4m decrease in staff expenses due to USA recharges previously presented in turnover, (see discussion on page 2).
- (4) However, there was a £0.7m increase in carrying costs of unsold timeshare stock and the associated management operation tasked with utilising the available resort accommodation. This additional expense is due to the aforementioned slight decline in membership, together with higher resort fees incurred this year and additional stock of unsold resort accommodation purchased under contract in the Mediterranean.

Administration expenses decreased by 15%:

- (1) £0.9m reduced employee overhead resulting from the headcount reduction post restructure.
- (2) £0.3m decreased staff redundancy expenditure incurred within administrative support functions due to the aforementioned restructuring announced in the prior year.
- (3) £0.2m combined reduction in depreciation and amortization (see note 5).
- (4) £0.7m combined decrease in the fees incurred with professional advisors and corporate auditors. In majority this is due to prior period fees incurred in the restructuring project and also the downsizing in operations.
- (5) £1.6m decrease in staff expenses due to USA recharges previously presented in turnover, (see discussion on page 2).
- (6) £0.4m asset impairment expense incurred in the prior year, (write down of prepaid inventory in the Mediterranean).
- (7) Partly offsetting the above positive factors; in 2018 there was a gradual fall in the value of GBP sterling against the Euro and also the US Dollar currencies. This situation was a reverse of the prior year, when sterling slightly strengthened, and accordingly the group suffered from translation losses on balances denominated in those currencies. The impact of this foreign exchange issue was a £1.3m increased expense.

Other operating income decreased by 70% (see note 4):

- (1) In the prior year a £0.9m gain was realised from the sale of the Broome Park estate properties and golf club business.
- (2) The volume of owners relinquishing their holiday ownership points this year reduced and exit fees fell by £0.4m.
- (3) There was a fall of £0.9m in the profit contribution on the disposal of surplus points stock, these earnings are rarely comparable year on year due to the differing characteristics and frequency of the properties removed from the portfolio of resort accommodation. In particular, the group has paid prior period corporate taxation in Spain relating to the disposal of the Garden Lago resort, as recognised in the 2016 financial statements. It had previously been an expectation of management that this tax assessment would be successfully defended. In addition, further professional fees and closing costs have also been incurred relating to this disposal, the combined impact has been an expense of £0.8m.

Diamond Resorts (Holdings) Limited

Strategic report for the year ended 31 December 2018 (*continued*)

Key Performance Indicators (*continued*)

During the year the number of unsold points in the Diamond Resorts European Collection (the points trust) has increased by 20.2m to 174.2m (2017 - 154.0m). This net increase is due to the decline in membership and the subsequent rise in unsold points that have been returned to the group over and above sales in the year. It must be noted, however, that the majority of these returns have minimal cost to the group and the weighted average cost per point within stock has not increased due to them.

These points are attributable to the portfolio of properties placed into the points trust directly and also to timeshare weeks owned by the group for this specific ultimate purpose. All such properties are converted to a points-equivalent based upon the standard and type of accommodation. The cost of these unsold points at 31 December is £17.2m (2017 - £15.4m, see note 14).

Future developments

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

Financial risks and uncertainties

The market for timeshare and hotel accommodation in Europe is highly competitive. The major commercial risk for the business relates to the ability of the group 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 group stock. To help the business mitigate this risk and take corrective action, close attention is directed towards the two key performance indicators "volume per guest" and "average daily rate" (see page 2).

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

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

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

Financial instruments

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

Diamond Resorts (Holdings) Limited

Strategic report
for the year ended 31 December 2018 (*continued*)

Financial instruments (*continued*)

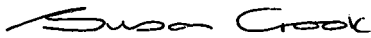
- (3) Cash flow risk - The net liability position reported in the consolidated and company statement of financial position has arisen from borrowings obtained from fellow group undertakings in the United States of America (see note 25), these being subsidiaries of a US group headed by Dakota Holdings, Inc.

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

Approval

This strategic report was approved by order of the Board on 6 September 2019

S Crook
Director



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

Date 6 September 2019

Diamond Resorts (Holdings) Limited

Report of the director for the year ended 31 December 2018

The director presents the report together with the audited financial statements for the year ended 31 December 2018.

Director

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

S Crook

Going Concern

The current economic conditions continue to create uncertainty over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future.

Notwithstanding the net liabilities position of £40.9m shown in the group statement of financial position, (see page 12) the group and company is able to meet its day-to-day working capital requirements through its bank facilities and the funding facility as discussed on page 5. In addition, the group and company has in place a letter of support from the upward US group. The group's forecasts and projections, taking account of reasonably possible changes in trading performance and periodic inward cash flow as mentioned above, show that the group should be able to operate within the level of its current facilities. After making enquiries, the director has a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. The group and company therefore continues to adopt the going concern basis in preparing its financial statements.

Post balance sheet events

There are no matters to report as a post balance sheet events.

Employment of disabled persons

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

Employee involvement

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

Dividends

The director does not recommend the payment of a dividend (2017 – no dividend).

Financial risk management

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

Diamond Resorts (Holdings) Limited

Report of the director for the year ended 31 December 2018 (*continued*)

Director's liabilities

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

Statement of director's 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 group and company 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 group and company and of the profit or loss of the group 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The current 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 resigned as auditors during the period and in replacement RSM UK Audit LLP were appointed. RSM UK Audit LLP offer themselves for reappointment as auditors in accordance with section 485 of the Companies Act 2006.

By order of the Board

S Crook 
Director

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

Date 6 September 2019

Diamond Resorts (Holdings) Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAMOND RESORTS (HOLDINGS) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Diamond Resorts Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the 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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Diamond Resorts (Holdings) Limited

Independent auditor's report (*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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Diamond Resorts (Holdings) Limited

Independent auditor's report *(continued)*

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP

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

Date 9 September 2019

Diamond Resorts (Holdings) Limited

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	48,499	54,712
Cost of sales		(3,443)	(2,415)
Gross profit		45,056	52,297
Distribution costs		(27,823)	(38,830)
Administration expenses		(17,374)	(20,385)
Other operating income	4	1,132	3,742
Operating profit/ (loss)	5	991	(3,176)
Interest receivable	8	48	70
Interest payable	9	(2,691)	(2,577)
Loss on ordinary activities before taxation		(1,652)	(5,683)
Tax on loss on ordinary activities	10	(1,007)	(432)
Loss on ordinary activities after taxation		(2,659)	(6,115)
Other comprehensive income			
Foreign exchange differences		(163)	592
Total comprehensive loss for the year		(2,822)	(5,523)

The results disclosed above all relate to continuing operations.

The notes on pages 18 to 39 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of financial position as at 31 December 2018

<i>Company number 5071128</i>	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Intangible assets	11		25		677
Tangible assets	12		2,530		2,897
			<u>2,555</u>		<u>3,574</u>
Current assets					
Stocks	14	32,758		31,663	
Debtors:					
Amounts falling due within one year	15	49,743		54,296	
Amounts falling due after one year	15	136		198	
Cash at bank and in hand	16	36,973		39,679	
		<u>119,610</u>		<u>125,836</u>	
Creditors: amounts falling due within one year	17	(112,908)		(120,178)	
Net current assets			<u>6,702</u>		<u>5,658</u>
Total assets less current liabilities			<u>9,255</u>		<u>9,232</u>
Creditors: amounts falling due after more than one year	18		(49,674)		(47,024)
Provisions for liabilities and charges	19		(459)		(264)
Net liabilities			<u>(40,878)</u>		<u>(38,056)</u>
Capital and reserves					
Called up share capital	21		49,000		49,000
Profit and loss account	22		(36,169)		(33,347)
Capital reserve	22		500		500
Merger reserve	22		(54,209)		(54,209)
Equity shareholders' deficit			<u>(40,878)</u>		<u>(38,056)</u>

The financial statements were approved by the Board and authorised for issue on 6 September 2019

S Crook
Director



The notes on pages 18 to 39 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Capital reserve £'000	Merger reserve £'000	Total equity £'000
At 1 January 2018	49,000	(33,347)	500	(54,209)	(38,056)
Comprehensive loss for the year:					
Loss for the year	-	(2,659)	-	-	(2,659)
Foreign exchange differences	-	(163)	-	-	(163)
Total comprehensive loss for the year	-	(2,822)	-	-	(2,822)
At 31 December 2018	49,000	(36,169)	500	(54,209)	(40,878)

The notes on pages 18 to 39 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of changes in equity (continued) for the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Capital reserve £'000	Merger reserve £'000	Total equity £'000
At 1 January 2017	49,000	(27,824)	500	(54,209)	(32,533)
Comprehensive loss for the year:					
Loss for the year	-	(6,115)	-	-	(6,115)
Foreign exchange differences	-	592	-	-	592
Total comprehensive loss for the year	-	(5,523)	-	-	(5,523)
At 31 December 2017	49,000	(33,347)	500	(54,209)	(38,056)

The notes on pages 18 to 39 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 £'000	Restated 2017* £'000
Net cash outflow from operating activities		
Loss for the financial year	(2,659)	(6,115)
Adjustments for:		
Depreciation and amortisation of fixed assets	1,021	1,202
Net interest receivable	(9)	(4)
Taxation expense	1,007	432
Loss/ (profit) on disposal of fixed assets	86	55
Notional interest on discounted Intercompany loans	2,652	2,511
Decrease in trade and other debtors	4,890	2,003
(Increase)/ decrease in stocks	(986)	4,712
(Decrease)/ increase in trade and other creditors	(7,141)	6,099
Increase/ (decrease) in provisions	195	(1,873)
Foreign exchange	(294)	61
	<hr/>	<hr/>
Cash (used in)/ from operations (note 26)	(1,238)	9,083
Interest paid	(39)	(66)
Taxation paid	(1,476)	(1,700)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	(2,753)	7,317
	<hr/>	<hr/>
Cash flows from investing activities		
Purchases of tangible fixed assets	(66)	(230)
Proceeds from sale of tangible fixed assets	12	87
	<hr/>	<hr/>
Net cash from investing activities	(54)	(143)
	<hr/>	<hr/>
Cash flows from financing activities		
Capital element of lease repaid	-	(9)
Interest received	48	70
	<hr/>	<hr/>
Net cash used in financing activities	48	61
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,759)	7,234
Cash and cash equivalents at beginning of year	39,662	32,132
Foreign exchange gains and losses	62	296
	<hr/>	<hr/>
Cash and cash equivalents at end of year	36,965	39,662
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash at bank and in hand	36,973	39,679
Bank overdrafts	(8)	(17)
	<hr/>	<hr/>
	36,965	39,662
	<hr/>	<hr/>

*The restatement relating to the year ended 31 December 2017 is discussed in note 1, see page 18.

The notes on pages 18 to 39 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Company statement of financial position as at 31 December 2018

<i>Company number 5071128.</i>	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments	13		1,034		1,034
Current assets					
Debtors	15	10,938		10,201	
Creditors: amounts falling due within one year	17	(9,887)		(8,928)	
Net current assets			1,051		1,273
Total assets less current liabilities			2,085		2,307
Creditors: amounts falling due after more than one year	18		(49,674)		(47,024)
Net liabilities			(47,589)		(44,717)
Capital and reserves					
Called up share capital	21		49,000		49,000
Profit and loss account	22		(96,589)		(93,717)
Equity shareholders' deficit			(47,589)		(44,717)

The financial statements were approved by the Board and authorised for issue on 6 September 2019

S Crook
Director 

The company has taken advantage of section 408 Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The company's loss for the financial year was £2,872,000 (2017 - loss of £2,303,000). See note 22.

The notes on pages 18 to 39 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Company statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2018	49,000	(93,717)	(44,717)
Comprehensive loss for the year:			
Loss for the year	-	(2,872)	(2,872)
Total comprehensive loss for the year	-	(2,872)	(2,872)
At 31 December 2018	49,000	(96,589)	(47,589)
	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017	49,000	(91,414)	(42,414)
Comprehensive loss for the year:			
Loss for the year	-	(2,303)	(2,303)
Total comprehensive loss for the year	-	(2,303)	(2,303)
At 31 December 2017	49,000	(93,717)	(44,717)

The notes on pages 18 to 39 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

Diamond Resorts (Holdings) 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 group's operations and its principal activities are set out in the strategic 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 Group management to exercise judgement in applying the Group's accounting policies.

In preparing these financial statements, the company has taken advantage of the disclosure exemptions available in FRS 102 relating to 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 Dakota Holdings, Inc. to provide sufficient financial support for the foreseeable future to enable liabilities, both external and within the group, to be met as they fall due.

Prior period restatement – consolidated statement of cash flows

The comparative consolidated statement of cash flows has been restated to ensure consistency with the current period. The adjustment has no impact on the operating cash result. Notional interest on discounted intercompany loans has been reclassified within operating activities. The director now considers any such expense to be a non cash movement. As a result, £2,511,000 has been deducted from interest paid and instead shown as a decrease in the movement in trade and other creditors; and as a result, cash from operations. The change in the comparative statement of cash flows is as follows:

	Reported previously 2017 £'000	Restated 2017 £'000
Increase in trade & other creditors	8,610	6,099
Cash from operations	11,594	9,083
Interest paid	(2,577)	(66)

The following principal accounting policies have been applied:

Basis of consolidation

The group financial statements consolidate the accounts of Diamond Resorts (Holdings) Limited and all of its subsidiary undertakings (see note 29) drawn up to 31 December 2018. The consolidation of subsidiaries has been accounted for using the equity method of accounting.

Financial assets

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

Financial liabilities and equity

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

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

Holiday pay

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

Turnover

Turnover primarily consists of three income streams;

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

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

Other operating income

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

Tangible fixed assets and depreciation

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

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

Intangible fixed assets

Patents, intellectual property rights, trademarks and management contracts are included at cost and amortised on a straight line basis over their useful economic lives.

Investments

Investments are stated at cost less any provision for impairment.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

Goodwill

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration payable and the fair value of the net assets acquired. It is capitalised and amortised through the statement of comprehensive income over the director's estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken when an impairment indicator has been identified.

Impairment of fixed assets and goodwill

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

Stock

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

Points, representing the right to use holiday resorts - Weighted average cost of developing and acquiring resorts, comprising accommodation and resort facilities; purchase price of timeshare weeks acquired in the market; purchase price of timeshare weeks repossessed from members.

Weeks (Mediterranean), representing the right to use accommodation at properties in a timeshare trust, (these weeks are made available for the use of points club members and are currently not marketed for sale).

- Purchase price of timeshare weeks acquired from third party developers less amortisation of elapsed right to use term;

Weeks (other), representing the right to use accommodation at properties in a timeshare trust, (intention to sell onwards under existing right to use).

- Purchase price of timeshare weeks acquired from third party developers;

Other non-points trading stock, comprising land and buildings not yet put into trust, but which may be available for use; facilities not currently used as club resorts and awaiting refurbishment or sale.

- Purchase price of properties, cost of land acquisition, construction and related costs.

Consumables, marketing materials and resort supplies

- Purchase price

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

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the date of the statement of financial position. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are not discounted.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*).

1 Accounting policies (*continued*)

Contributions to pension schemes

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

Cash flow Statement - Liquid resources

The group considers short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk in changes in value as liquid resources. Such deposits are held to secure credit card merchant services, hotel or tourism licences in Continental Europe.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the term of the lease.

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

Foreign currency

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

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

Management of timeshare clubs and the holiday ownership points club

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

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

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

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Management of timeshare clubs and the holiday ownership points club (continued)

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

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

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

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

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

Tangible fixed assets (see note 12)

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

Fixed asset Investments (see note 13)

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.

Stocks (see note 14)

The group measures inventories at the lower of cost and estimated selling price less costs to complete and sell. The director believes that a weighted average cost of obtaining points and weeks of timeshare at a points equivalent to be the method most appropriate for valuing stocks of holiday accommodation and the group uses the same cost formula for all inventories having a similar nature.

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

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

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

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

Stocks (continued)

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

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

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

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

Contingent liabilities and recognition of provisions (see notes 19 and 27)

The group makes provisions when an obligation exists resulting from a past event and it is probable that cash will be paid to settle it, but the amount of cash can only be estimated. Where an obligation is merely a possibility but material enough to a user of accounts, disclosure will be made as a contingent liability. Using information available at the balance sheet date, the director makes judgements based on experience regarding the level of provision required to account for potential legal settlements.

3 Turnover

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

	2018 £'000	2017 £'000
Sales of holiday ownership	8,355	15,598
Rental revenues	22,148	19,362
Resort management and administration fees	17,996	19,752
	48,499	54,712

4 Other operating income

	2018 £'000	2017 £'000
Commission and fees received	235	454
Relinquishment fees received	862	1,247
Loss on disposal of tangible fixed assets	(86)	(55)
(Loss)/ profit on disposal of surplus points' stock	(100)	763
Profit on disposal of surplus non-points stock	-	899
Other income	221	434
	1,132	3,742

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 *(continued)*

5 Operating profit/ (loss)	2018	2017
	£'000	£'000
This is arrived at after charging/ (crediting):		
Depreciation:		
- owned assets	362	498
- assets held under finance leases and hire purchase contracts	-	3
Amortisation of intangible fixed assets	660	700
Cost of sales:		
- consumables and resort services	963	987
- timeshare points	622	1,428
- timeshare weeks – right of use amortisation	1,858	-
Operating lease rentals:		
- land and buildings	1,107	1,066
- other	69	74
Foreign exchange differences	482	(877)
Staff costs including director's remuneration:		
- salaries	12,329	23,807
- defined contribution plans	130	70
Staff costs recharged to USA parent undertaking	(2,469)	(1,966)
Employee reduction – expenses relating to restructuring project	556	2,914
Asset reduction– amounts written off inventory prepayments	-	417
Loss on disposal of tangible fixed assets	86	55
Loss/ (profit) on disposal of surplus points stock	100	(763)
Profit on disposal of surplus non-points stock	-	(899)
Auditors' and associates of group's auditors		
- Fees payable for the auditing of the group's annual accounts	168	350
- Fees payable for the auditing of non-statutory club accounts	72	67
	<hr/>	<hr/>

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

6 Employees

Group staff costs for the year
were as follows:

	2018 £'000	2017 £'000
Wages and salaries	10,941	20,992
Social security costs	1,388	2,815
Pension costs (note 32)	130	70
Staff costs recharged to US parent	(2,469)	(1,966)
	<u>9,990</u>	<u>21,911</u>

Group

The average monthly number of persons employed
by the group during the year was:

	2018 No.	2017 No.
Sales and marketing	14	232
Finance and administration	256	279
	<u>270</u>	<u>511</u>

Company

The company had no employees during 2018 or 2017.

7 Director's remuneration

	2018 £'000	2017 £'000
Aggregate emoluments (including benefits in kind)	<u>192</u>	<u>188</u>

During the year and the preceding year the group did not contribute to the private pension plans of any directors.

During the year the director exercised no shares (2017 - no shares.). The above emoluments relate to the only director that has served during the period.

8 Interest receivable

	2018 £'000	2017 £'000
Other interest	41	64
Bank interest	7	6
	<u>48</u>	<u>70</u>

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

9 Interest payable

	2018 £'000	2017 £'000
Interest payable to group undertakings	34	35
Notional interest charged on related party loan (note 25)	2,652	2,511
Finance leases and hire purchase contracts	-	1
Other interest	5	30
	<u>2,691</u>	<u>2,577</u>

10 Tax on (loss)/profit on ordinary activities

	2018 £'000	2017 £'000
The tax charge represents:		
- UK corporation tax at 19.00% (2017 - 19.25%)	-	-
- Overseas	798	1,315
- Adjustment in respect of prior years	(86)	(29)
	<u>712</u>	<u>1,286</u>
Deferred tax (note 20)	295	(854)
	<u>1,007</u>	<u>432</u>

Factors affecting the tax charge for the year

The difference between the actual tax assessed for the year and the expected charge based on the standard rate of corporation tax in the United Kingdom is explained as follows:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(1,652)	(5,683)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(314)	(1,094)
Effect of:		
Income/ expenses not allowed as tax deductions	2,058	939
Difference in tax rates on overseas earnings	40	(130)
Movement in unrecognised deferred tax	(691)	746
Adjustment in respect of prior years	(86)	(29)
	<u>1,007</u>	<u>432</u>

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.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

11 Intangible fixed assets

Group	Goodwill on acquisition £'000	Management contracts £'000	Total £'000
<i>Cost</i>			
At 1 January 2018	6,407	156	6,563
Transfers	-	(21)	(21)
Foreign exchange	42	2	44
	<hr/>	<hr/>	<hr/>
At 31 December 2018	6,449	137	6,586
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 January 2018	5,762	124	5,886
Transfers	-	(21)	(21)
Charged in the year	652	8	660
Foreign exchange	35	1	36
	<hr/>	<hr/>	<hr/>
At 31 December 2018	6,449	112	6,561
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2018	-	25	25
	<hr/>	<hr/>	<hr/>
At 31 December 2017	645	32	677
	<hr/>	<hr/>	<hr/>

The goodwill brought forward relates to the purchase of IGR Mougins SARL, Vilar do Golf LDA and the acquisition of the Cypriot and Greek based sales and marketing operation, Aegean Blue Holdings Limited; (this business is now trading within Diamond Resorts Mediterranean Holdings Limited).

The management contract brought forward relates to operation of owners club resorts in France.

IGR Mougins SARL and Vilar do Golf LDA goodwill is being amortised over 20 years, goodwill relating to the Mediterranean operation is being amortised over 7 years, being the director's best estimate of useful economic lives.

The transfers recorded in the period relate to historic foreign exchange reductions to cost that were disclosed mistakenly as amortisation. There has been no change to the carrying value of management contracts following this change.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

12 Tangible fixed assets

Group	Freehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 January 2018	3,893	3,677	281	7,851
Additions	-	66	-	66
Disposals	(153)	(274)	(26)	(453)
Foreign exchange	41	25	2	68
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	3,781	3,494	257	7,532
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2018	1,776	2,926	252	4,954
Charged in the year	93	255	14	362
Disposals	(153)	(177)	(26)	(356)
Foreign exchange	19	21	2	42
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	1,735	3,025	242	5,002
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2018	2,046	469	15	2,530
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	2,117	751	29	2,897
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of assets held under finance leases at 31 December 2018 amounted to £nil (2017 - £nil). Depreciation charged on these assets in the year amounted to £nil (2017 - £3,000).

Freehold land and buildings includes the cost of improvements to the UK head office held under an operating lease or rental agreement. The net book value of these assets amounted to £83,000 (2017 - £100,000) Depreciation charged on these assets in the year amounted to £17,000 (2017 - £16,000) Depreciation is charged on these assets over the shorter of their estimated useful lives or the remaining term of the operating lease or rental agreement, up to a maximum of 5 years.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

13 Investments

	Company £'000
<i>Cost</i>	
At 1 January 2018 and 31 December 2018	96,843
<i>Accumulated impairment charge</i>	
At 1 January 2018 and 31 December 2018	95,809
<i>Net book value</i>	
At 31 December 2018	1,034
At 31 December 2017	1,034

Subsidiary undertakings as at 31 December 2018 are shown in note 29.

14 Stocks

	Group 2018 £'000	Group 2017 £'000
Timeshare points in trust	17,231	15,377
Timeshare weeks in trust	7,442	7,785
Other non-points trading stock	7,902	8,315
Consumables	183	186
	32,758	31,663

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

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

15 Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	2,632	2,855	-	-
Deferred tax (note 20)	942	1,307	-	-
Corporation tax	581	-	-	-
Club maintenance fee debtors	39,123	42,266	-	-
Other debtors	3,007	3,754	-	-
Amounts owed by group undertakings	-	-	10,938	10,201
Prepayments and accrued income	2,199	1,077	-	-
Taxation and social security	1,259	3,037	-	-
	<u>49,743</u>	<u>54,296</u>	<u>10,938</u>	<u>10,201</u>

The amounts due on Club maintenance fee debtors are payable on demand.

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<i>Amounts falling due after more than one year:</i>				
Trade debtors	136	198	-	-
	<u>136</u>	<u>198</u>	<u>-</u>	<u>-</u>

Trade debtors due after more than one year relate to finance receivables with members of Diamond Resorts European Collection Limited and timeshare owners clubs managed by group undertakings.

The impairment adjustment recognised in the group profit or loss for the period in respect of bad and doubtful trade debtors was £37,587 (2017 - £195,655). The impairment recognised in the company profit or loss for the period in respect of bad and doubtful trade debts was £Nil (2017 - £Nil).

16 Cash at bank and in hand - group

Cash at bank and in hand includes cash balances of £29,640,000 (2017 - £31,591,000) held on behalf of the Resort Clubs.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

17 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Bank overdrafts	8	18	-	-
Trade creditors	3,079	4,160	17	20
Corporation tax	-	273	-	-
Other taxation and social security	15,553	16,517	-	-
Other creditors	1,008	999	-	-
Amounts owed on behalf of club members	64,968	68,290	-	-
Amounts owed to group undertakings	-	-	3,659	3,659
Accruals	4,611	5,751	-	-
Deferred income	8,864	10,831	-	-
Amounts owed to parent company	6,211	5,249	6,211	5,249
Loan from fellow group company	8,606	8,090	-	-
	112,908	120,178	9,887	8,928

Details of the loan from fellow group company based in the United States of America is given in note 25.
The amounts owed on behalf of club members are repayable on demand.

18 Creditors: amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Loan from parent company	49,674	47,024	49,674	47,024
	49,674	47,024	49,674	47,024

The loan from parent company relates to an unsecured revolving credit agreement with Diamond Resorts Corporation, for details of this agreement, see note 25. The loan is recognised at amortised cost in accordance with the requirements of FRS 102, The UK Financial Reporting Standard.

Creditors in one year or less, or on demand relate to a loan from a fellow group company (see note 25) and bank overdrafts.

Group	Loans and overdrafts 2018 £'000	Finance leases 2018 £'000	Total 2018 £'000
In one year or less, or on demand	8,614	-	8,614
Between one and five years	49,674	-	49,674
	58,288	-	58,288

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

18 Creditors: amounts falling due after more than one year (*continued*)

Group	Loans and overdrafts 2017 £'000	Finance leases 2017 £'000	Total 2017 £'000
In one year or less, or on demand	8,108	-	8,108
In more than five years	47,024	-	47,024
	<u>55,132</u>	<u>-</u>	<u>55,132</u>

19 Provisions for liabilities and charges

	Note	At 1 Jan 2018 £'000	Additions £'000	Amounts used £'000	At 31 Dec 2018 £'000
Holiday ownership claims	(1)	148	207	(12)	343
Maintenance and repairs	(2)	30	-	-	30
UK taxes	(3)	86	-	-	86
		<u>264</u>	<u>207</u>	<u>(12)</u>	<u>459</u>

- (1) There is a provision of £343,000 (2017 - £148,000) for sales of holiday ownership that could potentially be either unwound or lead to legal settlement; as a result of issues regarding product suitability, customer acceptance after further investigation or current litigation.
- (2) There is a provision of £30,000 (2017 - £30,000) for dilapidations at leasehold offices.
- (3) There is a provision of £86,000 (2017 - £86,000) for additional UK VAT that could be payable on prior period sales of points; discussions are still on-going with HMRC on the methodology being used regarding points usage calculations.

20 Deferred taxation

The deferred tax asset at 31 December 2018 is in relation to the Spanish region.

	Fixed asset timing differences £'000	Long term Service awards £'000	Unutilised Tax losses & credits £'000	Total £'000
At 1 January 2018	137	366	804	1,307
Credited/ (charged) to ordinary activities	(11)	21	(305)	(295)
Foreign exchange	2	5	-	7
Reclassified to corporation tax debtor	-	-	(77)	(77)
	<u>128</u>	<u>392</u>	<u>422</u>	<u>942</u>
At 31 December 2018	128	392	422	942

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

20 Deferred taxation (*continued*)

The company has an unrecognised deferred tax asset of £2.7m, (2017 - £2.7m), representing unutilised tax losses. The group has unrecognised deferred tax assets of £21.3m, (2017 - £19.9m) represented by short term timing differences, deferred revenue, unutilised tax losses and fixed asset timing differences. These assets have not been recognised due to the uncertain timing of future tax recoverability.

The net deferred tax asset expected to reverse in 2019 is £431,000. This primarily relates to the reversal of fixed asset timing differences and utilisation of tax losses. Other net deferred tax assets of £511,000 primarily relating to long term service awards and fixed asset timing differences in Spain are expected to reverse longer term.

21 Share capital

	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>		
48,999,450 Ordinary shares of £1 each	49,000	49,000

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

22 Profit and loss account and reserves

Group	Merger reserve 2018 £'000	Capital reserve 2018 £'000	Profit and loss reserve 2018 £'000
At 1 January 2018	(54,209)	500	(33,347)
Loss for the financial year	-	-	(2,659)
Foreign exchange differences	-	-	(163)
At 31 December 2018	(54,209)	500	(36,169)

Company	2018 £'000
At 1 January 2018	(93,717)
Loss for the financial year	(2,872)
At 31 December 2018	(96,589)

For an explanation of group and company reserves see below:

- Merger reserve arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.
- Capital reserve represents amounts owed by a fellow group undertaking on the sale of a revalued property.
- Profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

23 Commitments under operating leases

As at 31 December 2018, the group had total future lease commitments under non-cancellable operating leases as set out below:

	Land and buildings 2018 £'000	Land and buildings 2017 £'000	Other 2018 £'000	Other 2017 £'000
Within one year	428	1,107	73	69
In two to five years	170	589	58	102
After five years	6	23	-	-
	<u>604</u>	<u>1,719</u>	<u>131</u>	<u>171</u>

24 Financial Instruments

2018	Carrying amount £'000	Total contractual undiscounted cash flow £'000	Within 1 year or on demand £'000	More than 1 year £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	81,871	81,871	81,735	136
	<u>81,871</u>	<u>81,871</u>	<u>81,735</u>	<u>136</u>
Financial liabilities				
Financial liabilities measured at amortised cost	138,165	153,850	88,491	49,674
	<u>138,165</u>	<u>153,850</u>	<u>88,491</u>	<u>49,674</u>
2017				
Financial assets				
Financial assets that are debt instruments measured at amortised cost	88,752	88,752	88,554	198
	<u>88,752</u>	<u>88,752</u>	<u>88,554</u>	<u>198</u>
Financial liabilities				
Financial liabilities measured at amortised cost	139,581	157,916	92,557	47,024
	<u>139,581</u>	<u>157,916</u>	<u>92,557</u>	<u>47,024</u>

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

24 Financial Instruments (*continued*)

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

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

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

Foreign currency risk

The group has manageable exposure to foreign currency risk. A substantial proportion of the points club and timeshare club members' have British nationality and sales of points and annual maintenance fees are in majority billed and collected in Sterling.

Although there are managed hotel and timeshare resort operations in continental Europe, the group reviews Euro currency cash-flow and capital expenditure requirements in a timely manner, through analysis of budgetary comparisons and forecasted requirements that are flexed to take account of exchange rate fluctuations.

25 Related party transactions

- (1) The company has entered into credit facility agreements with its parent undertaking, Diamond Resorts Corporation. The balance owed at 31 December 2018 was £49,674,000 (2017 - £47,024,000). Under this revolving credit agreement the outstanding principal and interest unpaid is due and repayable on 16 December 2023. However, the director has obtained confirmation that repayment of the credit facility will not actually be requested until it is feasible for the group to obtain the relevant funds to finance this. In addition, no interest is to be chargeable on this loan, beginning 1 January 2013 until further notice.

This loan has been adjusted to reflect the present value of future payments, discounted at a market rate of 5.50%. Accordingly, the fair value of the loan is reduced by £15,685,000 as at 31 December 2018. Pursuant to this, there is a notional interest charge applied during the year of £2,652,000 (2017 - £2,511,000).

Separately, the company also has a trading account balance with its parent to fund working capital requirements. The balance owed at 31 December 2018 was £6,211,000 (2017 - £5,249,000) which is interest free and repayable on demand.

- (2) A subsidiary undertaking of the company, Diamond Resorts AB Acquisition Company Limited, entered into a loan and credit agreement for the initial principal amount of £4,046,000 with AB Blue Acquisition LLC, a USA registered company and fellow wholly owned member of the group headed by Diamond Resorts International Inc. Under this credit agreement the outstanding principal and interest unpaid shall be due and repayable on demand. However, the director has reached agreement with the fellow group member to extend repayment until it is feasible for the group to obtain the relevant funds to finance this. The percentage rate of interest chargeable on the loan is 0.5% per annum (2017 - 0.5% per annum). The balance owed at 31 December 2018 was £8,606,000 (2017 - £8,090,000).

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

25 Related party transactions (continued)

Key management personnel compensation

The remuneration of the director and other members of key management during the year:

	2018 £'000	2017 £'000
Short-term benefits	1,130	1,063
	<u>1,130</u>	<u>1,063</u>

In addition, the ultimate parent undertaking has made a recharge of £2,107,000 (2017 - £2,158,000) to the group in respect of corporate overhead expenditure incurred in the USA. This recharge includes a contribution towards the services of its key management personnel employed in the USA for matters relating to the group during the period.

26 Funds available for use by the group

	2018 £000	Restated 2017* £000
Cash (used in)/ from operations (see cash flow, page 15)	(1,238)	9,083

The above movement includes debtor and creditor balances accounted for on behalf of the club members. This has resulted in a change to the cash balances held on behalf of the club members. None of the cash amounts held are available for use by the group.

The change in cash used in/ from operations can be allocated between funds available for use by the group and cash amounts held on behalf of the club members as follows:

	2018 £000	Restated 2017* £000
Net cash inflow available for use by the group	713	4,004
Net (outflow)/ inflow of cash held on behalf of the club members	(1,951)	5,079
Cash from operations	<u>(1,238)</u>	<u>9,083</u>

*The restatement relating to the year ended 31 December 2017 is discussed in note 1.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

27 Contingent liabilities

- (1) The group is aware of tax assessments against overseas resort property owning companies which the group could be required to pay. The group expects that these assessments will be successfully appealed. Accordingly no provision for any liability from such claims has been made in the financial statements as the director believes the possibility of any outflow of resources to be remote.
- (2) During the year legal cases were brought against the group. These cases have not been resolved at the date of the approval of these financial statements. However, after a review of the cases, the director feels that a limited selection of them could lead to future legal settlement. As a result, a provision for any liability from such claims has been made in the financial statements (see note 19).

28 Ultimate parent undertaking and parent undertaking of a larger group.

The immediate parent undertaking is Diamond Resorts Corporation, a company incorporated in the United States of America.

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

The director regards 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.