

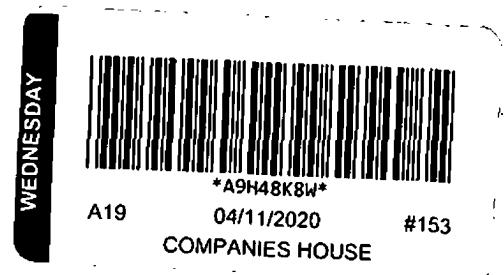
Vacation Club Partnerships Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 03186775



Vacation Club Partnerships Limited

**Report and financial statements
for the year ended 31 December 2019**

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Director

S Crook

Secretary and registered office

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

Company number

03186775

Auditors

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

Vacation Club Partnerships Limited

Report of the director for the year ended 31 December 2019

The director presents the report together with the audited financial statements for the year ended 31 December 2019.

Results

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

The profit for the year after taxation amounted to £26,016 (2018 - £2,566,515 loss). The majority of this change is the result of asset write downs in the prior year; there was a £2,593,593 combined impairment expense suffered on amounts owed by fellow Diamond group undertakings and investments in subsidiaries. The director does not recommend the payment of a dividend (2018 - £Nil).

Principal activities

The company acts as a holding company for a subsidiary based in Germany.

Director

The director of the company during the year was:

S Crook

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

Director's liabilities

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

Likely future developments in the business of the company

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

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 Diamond group, as headed by Diamond Resorts (Holdings) Limited (see note 10), 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.

At the time of the signing of these financial statements the company and consolidated group of Diamond Resorts, as a result of being in the hospitality sector, are still enveloped by the health pandemic relating to the coronavirus (COVID-19). There has been significant disruption and curtailment since March 2020 on group operations; on its business partners, employees, membership offerings and customers.

Post balance sheet events

Coronavirus

As the company is acting as a holding company, the director has not been able to determine the effect on the company, and feels that it is more appropriate to disclose the full impact on the wider consolidated group in the financial statements of Diamond Resorts (Holdings) Limited (see note 10).

Vacation Club Partnerships Limited

Report of the director for the year ended 31 December 2019 (continued)

Going Concern

As a result of the aforementioned trading disruption faced by the company and the Diamond group with regard to the Covid-19 pandemic; particular attention should be drawn to the accounting policy relating to the basis of going concern, (see page 8).

Director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the director is 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 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 her to ensure that the financial statements comply with the Companies Act 2006. She is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The director has taken all the steps that she ought to have taken to make herself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

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

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

By order of the Board



S Crook
Director

Vacation Club Partnerships Limited, Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA

Date 30 October 2020

Vacation Club Partnerships Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VACATION CLUB PARTNERSHIPS LIMITED

Opinion

We have audited the financial statements of Vacation Club Partnerships Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 company's affairs as at 31 December 2019 and of its profit 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

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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 director is 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.

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

Vacation Club Partnerships Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VACATION CLUB PARTNERSHIPS LIMITED (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was 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 director's report.

Responsibilities of directors

As explained more fully in the director's responsibilities statement set out on page 2, the director is 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 director determines 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 director is 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 director intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <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.

RSM UK Audit LLP

Ian Taylor (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 30 OCTOBER 2020

Vacation Club Partnerships Limited

Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £	2018 £
Administration expenses		-	(2,593,593)
Operating loss	2	-	(2,593,593)
Interest receivable from group companies		26,016	27,078
Profit/ (loss) on ordinary activities before and after taxation for the financial year		26,016	(2,566,515)

All amounts relate to continuing activities.

Other Comprehensive Income recognised in the year was £nil (2018: £nil).

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

Vacation Club Partnerships Limited

Statement of Financial Position at 31 December 2019

<i>Company number 3186775</i>	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investments in subsidiaries	5		1		1
Current assets					
Debtors - due within one year	6	1,445,917		1,419,901	
Creditors: amounts falling due within one year	7	(11,549,928)		(11,549,928)	
Net current liabilities			(10,104,011)		(10,130,027)
Net liabilities			(10,104,010)		(10,130,026)
Capital and reserves					
Called up share capital	8		2		2
Profit and loss account	9		(10,104,012)		(10,130,028)
Shareholders' deficit			(10,104,010)		(10,130,026)

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 director and authorised for issue on 30 October 2020



S Crook
Director
Company number 03186775

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

Vacation Club Partnerships Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £	Profit and loss account £	Total equity £
1 January 2019	2	(10,130,028)	(10,130,026)
Comprehensive income for the year:			
Profit for the year	-	26,016	26,016
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	26,016	26,016
	<hr/>	<hr/>	<hr/>
31 December 2019	2	(10,104,012)	(10,104,010)
	<hr/>	<hr/>	<hr/>
	Share capital £	Profit and loss account £	Total equity £
1 January 2018	2	(7,563,513)	(7,563,511)
Comprehensive loss for the year:			
Loss for the year	-	(2,566,515)	(2,566,515)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(2,566,515)	(2,566,515)
	<hr/>	<hr/>	<hr/>
31 December 2018	2	(10,130,028)	(10,130,026)
	<hr/>	<hr/>	<hr/>

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

Vacation Club Partnerships Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 Accounting policies

Vacation Club Partnerships Limited is a private company limited by shares and incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the director's report.

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 a company registered in England and Wales for which consolidated financial statements are prepared. 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 10); and (b) the availability of the consolidating group's bank finance for a period of 12 months from the date of signing of the financial statements should additional working capital be required.

Notwithstanding the net liabilities position of £10.1m shown in the company statement of financial position, (see page 7) the company and consolidating group are able to meet day-to-day working capital requirements through their bank accounts 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 Diamond Resorts Corporation.

The 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 periodic cash inflows in accordance with a letter of support from the Diamond Resorts Corporation, 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 director is not aware of any uncertainties which could have a material impact on going concern.

After making enquiries, the director has 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 amounts written off.

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

Vacation Club Partnerships Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

2 Operating profit

The audit fee for the company was £4,000 (2018: £4,000) and was borne by a fellow group undertaking, Diamond Resorts (Europe) Limited. All other professional fees incurred on the company's behalf are also borne by Diamond Resorts (Europe) Limited.

3 Director and employees

All staff are employed and paid by a fellow group company, Diamond Resorts (Europe) Limited. The director did not receive any emoluments for services to the company during the year (2018 - £Nil).

4 Taxation on profit on ordinary activities

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

	2019 £	2018 £
Profit/ (loss) on ordinary activities before tax	26,016	(2,566,515)
Profit/ (loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	4,943	(487,638)
Effect of: Movement in unrecognised deferred tax	(4,943)	487,638
Current tax charge for the year	-	-

The company has an unrecognised deferred tax asset of £62,952 (2018 - £71,978), representing unutilised tax losses. The reduction of £9,026 is due to tax on profits in the year of £4,943 and adjustments to prior period tax provisions of £4,083. These assets have not been recognised due to the uncertain timing of future tax recoverability.

The Government announced that it intends to maintain the rate of corporation tax at 19% for the financial years beginning 1 April 2020 and 1 April 2021. The legislation was introduced in a second reading of the draft Finance Bill 2019-21 on 17 July 2020 and has still to be passed through parliament and into law.

5 Fixed asset investments

	£
Cost	
At 1 January 2019 and 31 December 2019	1

The investment relates to the subsidiary undertaking Diamond Resorts Deutschland Holding GmbH.

Vacation Club Partnerships Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

6 Debtors

	2019	2018
	£	£
Amounts owed by group undertakings	1,445,917	1,419,901

Included in the above is a loan arrangement with the subsidiary undertaking Diamond Resorts Deutschland Holding GmbH. The loan bears interest at the rate of 1.5% (2018 – 1.5%). All amounts shown under debtors fall due for payment within one year.

7 Creditors: amounts falling due within one year

	2019	2018
	£	£
Amounts owed to group undertakings	11,549,928	11,549,928

Amounts due to group undertakings are interest free and repayable on demand.

8 Called up share capital

	2019	2018
	£	£
1 'A' ordinary share of £1 each	1	1
1 'B' ordinary share of £1 each	1	1
	<u>2</u>	<u>2</u>

'A' and 'B' shares are both ordinary shares and carry equal rights with regard to distribution of dividends and repayment of capital.

9 Reserves

Called up share capital – represents the nominal value of shares that have been issued.

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

10 Ultimate parent company

The immediate parent undertaking is Diamond Resorts (Group Holdings) PLC.

The smallest group to consolidate these financial statements is headed by Diamond Resorts (Holdings) Limited. Copies of the Diamond Resorts (Holdings) Limited financial statements can be obtained from the Company Secretary at Citrus House, Caton Road, Lancaster, Lancashire, LA1 3UA.

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

The director regards Dakota Holdings, Inc. as the company's ultimate controlling party.

Vacation Club Partnerships Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

11 Financial commitments

- (1) The company is party to a cross guarantee, registered 24 April 2007, which secures the revolving credit facility provided by Diamond Resorts Corporation, a fellow member of the group headed by Dakota Holdings, Inc., at the balance sheet date, to the subsidiary companies. The amount outstanding at the year-end was £65,359,000 (2018 - £65,359,000). The debenture provides a fixed and floating charge over the undertaking and all the assets of the company.
- (2) 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.

12 Events after the balance sheet date

Since the end of the reporting period Covid-19 has had a significant impact on the upward consolidated group of Diamond Resorts. As at the signing of these financial statements, there has been a significant decline in resort guest numbers as a result of travel bans and quarantines and the temporary closure of Diamond Group properties and resort destinations during 2020.

As mentioned in the report of the director, detailed disclosure will be provided in the financial statements of Diamond Resorts (Holdings) Limited (see note 10).

The director has performed an assessment of the impact of Covid-19 on the company to ascertain if the outbreak or related government actions constitute an adjusting post balance sheet event under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice). Following her review, it has been concluded that the spread of Covid-19 and related government actions occurred after the end of the reporting period and is therefore a non-adjusting event.