MARRIOTT VACATION CLUB DESTINATIONS, AUSTRALIA

ARSN 610 612 676

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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RESPONSIBLE ENTITY'S REPORT

The directors of Club Holidays Australia Limited (ACN 607 151 655) ("the Responsible Entity") submit herewith the financial report of the Marriott Vacation Club Destination, Australia ("the Club") for the year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors of the Responsible Entity in office at any time during or since the end of the financial year are:

William Francis Minnock	Appointed 20 July 2015
Pascale Dillon	Appointed 20 July 2015
Robert John Martini	Appointed 2 December 2015
Michael James Dunne	Appointed 18 December 2015

This financial report was authorised for issue by the directors on 23 March 2018.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The Club is a registered Managed Investment Scheme domiciled in Australia. The Club's principal activities during the year were timeshare operations.

Operating Results

The results of the operations of the Club are disclosed in the Statement of Profit or Loss and Other Comprehensive Income. The loss after income tax and total comprehensive income attributable to members was a loss of $9,852.

The value of scheme assets at the balance date is $23,059,191. Scheme assets are held at cost or fair value in accordance with the accounting policies in Note 1.

Membership

The membership of the Club at balance date consisted of the following categories:-

Category	Points per Membership	Memberships Sold	Total Points Sold
Member	Less than 4,000	348	629,000
Select	4,000 – 6,999	151	405,500
Executive	7,000 – 9,999	47	123,500
Presidential	10,000 – 14,999	31	53,750
Chairman's Club	15,000+	13	32,000
		590	**1,243,750**

In addition, there were 3,455,000 unissued points at 31 December 2017.

Property
The Club has acquired the "rights to use" for following properties during the financial year ended 31 December 2017:

- In November 2017, the Club contributed 18 units at Marriott's Bali Nusa Dua Gardens for a total price of IDR 140,325,745,300 which created 2,750,500 variable club points in the Club.
- Variable Membership expires at the expiry date (and as extended by the Responsible Entity from time to time)
- At termination, Members who hold Variable Club Points are not entitled to a share of proceeds of realisation of Club Property

Significant Changes in State of Affairs

Environmental Regulation
The Club's operations are subject to various environmental regulations. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

After Balance Date Events
There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Club and the results of those operations or the state of affairs of the Club in subsequent financial years.

Future Developments
Disclosure of information regarding likely developments in the operations of the Club in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Club. Accordingly, this information has not been disclosed in this report.

Information on Directors

Director: Pascale Dillon

Experience:
Pascale Dillon is the Finance Regional Vice President of Marriott Vacation Club's Asia Pacific Region, with responsibility over finance and accounting, treasury, contract administration and compliance. Pascale joined MVW in October 2006. Pascale is an MBA and CPA, with extensive Asian experience and a graduate degree from EDHEC business school, who gained comprehensive business experience spanning consumer products & licensing, hospitality and resort development.

Director: William Francis Minnock

Experience:
Bill Minnock is SVP and Managing Director of Marriott Vacation Club's Asia Pacific Region and has overall responsibility for the company's business activities in the region. Bill joined MVW in September 2014. Prior to joining MVW, he spent 31 years at Marriott International and held senior leadership positions in Global Operations, Asset Management and Architecture and Construction. From 1994 to 2001, he was SVP Resort Development for MVW and was responsible for the rapid growth of the business in North America, Europe and its first project in Asia in Phuket Thailand. Bill attended Cornell University, US and earned a BS degree from The Hotel School and an MBA from the Johnson School of Management. He is currently First Vice President of the Cornell Hotel Society.

Director: Michael James Dunne

Experience:
Mr. Dunne has been the Responsible Manager for MVCI Australia Pty Ltd, a registered Credit License holder under the National Consumer Credit Providers Act, since March 2016 and is responsible for the management of the lending operation.

He has over 30 years' experience in the Banking and Finance industries holding senior management positions in Retail, Commercial and Business Banking divisions and was responsible for the successful startup and subsequent targeted growth of 2 credit providers between 2001 and 2016.

Mr. Dunne holds a Commercial Agents license authorised under the Property Agents and Motor Vehicle Dealers Act 2000.

Director: Robert John Martini

Experience:
Mr Martini is a Director of Club Holidays Australia Limited and also a Responsible Manager 'Key Person' on the companies Australian Financial Services License.

Mr Martini has been involved in the Vacation Ownership Industry since 1979 having held senior Managment, director and other executive positions with several of the largest industry participants in the Asia-Pacfic Region including Marriott, Accor, Minor Hotels and Resorts and Trendwest-Wyndham. additionally he has held directorships on various industry associations in the region.

Meetings of Directors
During the financial year 2017, 1 meeting of directors (including committees) was held for Marriott Vacations Club Destinations, Australia. Most meetings were effected by way of circular resolution. Attendances were:

Directors Meetings	A	B
Pascale Dillon	1	1
William Francis Minnock	1	1
Michael James Dunne	1	1
Robert John Martini	1	1

A - Number of meetings attended.
B - Reflects the number of meetings held during the time the director held office during the year.

Directors and Auditors Indemnification
During the year, the Responsible Entity paid a premium in respect of a contract insuring the directors of the Responsible Entity, the Responsible Entity secretary, and all executive officers of the Responsible Entity and of any related body corporate and the Compliance Committee against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The Responsible Entity has not otherwise, during or since the year end, indemnified or agreed to indemnify an officer or auditor of the Club or any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on Behalf of the Club
No person has applied for leave of Court to bring proceedings on behalf of the Club or intervene in any proceedings to which the Club is a party for the purpose of taking responsibility on behalf of the Club for all or any part of those proceedings.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001. The lead auditor's independence declaration is set out on page 5 and forms part of the Responsible Entity's report for the year ended 31 December 2017. Crowe Horwath continues in office in accordance with Section 327 of the Corporations Act 2001.

Interests of the Responsible Entity

	2017		2016	
	Memberships	**Points**	**Memberships**	**Points**
Number of interests held in the scheme by the RE	–	–	–	–
Number of interests in the scheme issued during the year	359	787,250	231	456,500
Interests in the scheme withdrawn by the RE	–	–	–	–

Responsible Entity Remuneration
No remuneration is paid to the Responsible Entity during the year.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.306(3) of the Corporations Act 2001 .

Pascale Dillon
Director
23 March 2018

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of the Responsible Entity for Marriott Vacation Club Destinations, Australia

As auditor of Marriot Vacation Club Destinations, Australia for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Logan Meehan
Partner – Audit & Assurance

Signed at Brisbane, 28 March 2018

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MARRIOTT VACATION CLUB DESTINATIONS, AUSTRALIA
ARSN 610 612 676
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 $	2016 $
Revenue			
Maintenance fees		1,428,963	479,525
Developer subsidy		560,000	229,142
Other operating revenue		355	157
Expenditure			
Management fee		371,808	253,226
Maintenance expenses		1,514,851	422,797
Other expenses		112,511	49,653
Loss before Income Tax		(9,852)	(16,852)
Income tax expense	1(c)	--	–
Loss for the year attributable to members		(9,852)	(16,852)
Other comprehensive income for the year, net of tax		--	–
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS		(9,852)	(16,852)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MARRIOTT VACATION CLUB DESTINATIONS, AUSTRALIA
ARSN 610 612 676
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTE	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents		189,633	176,581
Trade and other receivables	4	1,416,653	228,445
Prepayment	5	407,134	1,006
TOTAL CURRENT ASSETS		2,013,420	406,032
NON-CURRENT ASSETS			
Property, plant and equipment	6	6,929,098	6,929,098
Prepayment	5	14,116,673	--
TOTAL NON-CURRENT ASSETS		21,045,771	6,929,098
TOTAL ASSETS		**23,059,191**	**7,335,130**
CURRENT LIABILITIES			
Trade and other payables	7	2,014,798	238,306
Deferred revenue	8	1,128,205	184,578
TOTAL CURRENT LIABILITIES		3,143,003	422,884
NON-CURRENT LIABILITIES			
Deferred revenue	8	13,013,794	--
TOTAL LIABILITIES		**16,156,797**	**422,884**
TOTAL NET ASSETS		**6,902,394**	**6,912,246**
EQUITY MOVEMENT			
Member equity – Club units on issue	9	6,929,098	6,929,098
Retained deficit		(26,704)	(16,852)
TOTAL EQUITY		**6,902,394**	**6,912,246**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MARRIOTT VACATION CLUB DESTINATIONS, AUSTRALIA
ARSN 610 612 676
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Member Equity $	Retained deficit $	Total $
Balance at 1 January 2017		6,929,098	(16,852)	6,912,246
Total comprehensive income:				
Loss for the year		–	(9,852)	(9,852)
Balance at 31 December 2017		6,929,098	(26,704)	6,902,394
Balance at 1 January 2016		–	–	–
Total comprehensive income:				
Loss for the year		–	(16,852)	(16,852)
Transactions with members in their capacity as members				
Club points issued	9	6,929,098	–	–
Balance at 31 December 2016		6,929,098	(16,852)	6,912,246

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MARRIOTT VACATION CLUB DESTINATIONS, AUSTRALIA
ARSN 610 612 676
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Club operations		1,856,877	748,933
Payments to suppliers		(1,843,825)	(572,352)
NET CASH FROM OPERATING ACTIVITIES	11(a)	13,052	176,581
CASH FLOWS FROM INVESTING ACTIVITIES		--	–
CASH FLOWS FROM FINANCING ACTIVITIES		--	–
Net cash and cash equivalents held		13,052	176,581
Cash and cash equivalents at the beginning of the year		176,581	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		189,633	176,581

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Marriott Vacation Club Destinations, Australia is a registered Managed Investment Scheme established and domiciled in Australia. The financial report covers Marriott Vacation Club Destinations, Australia ('the Club') as an individual entity. The Club commenced on 17 February 2016.

The principal activity of the Club in the course of the financial year is the management of activities of Club members who have purchased Club points.

(a) Basis of Preparation

Statement of Compliance

The financial report of Marriott Vacation Club Destinations, Australia is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report and notes of the Club comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Reporting Basis and Conventions

The financial report is presented in Australian dollars, which is the Club's functional currency.

The preparation of financial reports in conformity with Australian Accounting Standards require management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenue and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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. There are no key adjustments during the year which required accounting estimates and judgements.

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern

The financial report of the Club has been prepared on a going concern basis which contemplates that the Club will be able to realise its assets and distinguish its liabilities in the ordinary course of business and will be in a position to pay its debts as they become due and payable.

The Club is reliant on the continued receipt of income from members to meet their annual maintenance fees, together with the continued financial support of the developer member in respect of the maintenance fees in relation to unsold or unissued memberships, in order to continue as a going concern.

The following is a summary of the material accounting policies adopted by the Club in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) New, revised or amending Accounting Standards and Interpretations adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted. The Club's assessment of the impact of the relevant new standards and interpretations is set out below:

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing 1 January 2018):

AASB9 addresses the classification and measurement of financial assets and is not applicable until 1 January 2018 but is available for early adoption. The Club is yet to assess the full impact of the new standard however, initial indications are that the standard is not expected to have any material impact on the Club's financial statements.

AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018):

The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Club is yet to assess the full impact of the new standard however, initial indications are that the standard is not expected to have any material impact on the Club's financial statements.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income Tax

The Club recognises the current and future tax consequences of all transactions and other events recognised in the Club's statement of financial position as current and deferred tax liabilities and assets. The Club is able to apply the 'mutuality concept' under the Income Tax Assessment Act. The mutuality concept allows the member income and member expenditure to be tax free. All non-member income and expenditure is taxable at the 30% corporate tax rate. Accordingly, the tax consequence arising on all transactions is not of material consequence for the Club.

The charge for current income tax expense is based on the profit / loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Deferred tax assets in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Club will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Property, Plant, and Equipment

Depreciation

The depreciable amount of all property, plant and equipment excluding buildings and freehold land, is depreciated on a straight-line basis over their useful lives to the Club commencing from the time the asset is held ready for use.

Buildings are not depreciated. In the event a property is transferred, sold, or assigned and will cease to be an asset of the Club, the Responsible Entity will ensure the Developer replaces that property with another property of at least equal quality and the same Vacation Credits as the old property. Any risks or rewards associated with the transfer, sale or assignment flow through to the Developer.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant, and Equipment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(f) Impairment of Assets

At each reporting date, the Club reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income unless the relevant asset is carried at fair value, in which case the impairment loss is initially treated as a revaluation decrease with any remaining balance expensed to the statement of comprehensive income.

The Club considers the properties in the Club to constitute one cash generating unit, and the value in use to be the ability of members to continue to utilise their points in the Club properties. Thus, in evaluating whether an impairment is to be made, the Club assets are considered as belonging to one cash generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade and Other Payables

Trade payables and other accounts payable are recognised when the Club becomes obliged to make future payments resulting from the purchase of goods or services. Measured initially at fair value and subsequently at amortised cost.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(i) Trade and Other Receivables

Maintenance fees are recorded as a receivable on a pro-rata basis for new members. Subsequently, Maintenance fees are billed in advance of the following year and are due between 60 to 90 days.

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and rebates, and amounts collected on behalf of third parties.

Maintenance fees are invoiced in advance and recognized as revenue in the year which they are earned.

Developer subsidy is calculated in accordance with the Constitution of the Club based on the agreed amount with the Developer for the year.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Foreign Currency Transactions and Balances

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of Profit and Loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of Profit and Loss.

The financial results and position of foreign operations whose functional currency is different from the Club's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

(m) Units Issued by the Club

Club Points Issued in the Club

In accordance with the Constitution of the Club, Club Points represent the unit of measure or value established for the Club and referable to each Club Property, which forms part of the assets of the Club. In accordance with the Constitution and Regulations of the Club, Club Points entitle a member to an accommodation or timeshare entitlement in the Club Properties as well as a right to share in the net assets of the Club on winding up of the Club.

Club Points include Variable Club Points. Variable Club Points comprise a type of Club Points that shall expire on the expiry date notified by the Developer to the holder of such Club Points in respect of such Club Points, which may be earlier. At termination, Members who hold variable club points are not entitled to a share of proceeds of realisation of Club Property.

Contribution of Assets and the Issue of Club Points

In accordance with the Constitution of the Club, during the financial year the developer has acquired various properties which it has then contributed to the Club (referred to as Club Property). Once the Club has obtained the majority of the risks and benefits of ownership pursuant to the Club Properties contributed, Club Points are created equivalent to the cost of the Club properties contributed.

When Club Points are created and as set out in the Constitution, the developer will retain, in addition to its developer membership, the obligations in respect of unissued Club Points created pursuant to the unit contribution by the developer of Club Properties as if they were issued to the developer.

(n) Member Funds

The Club classifies members' funds relating to permanent units as equity, points holders have a right to participate in any distribution of net assets upon a winding up of the Club.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Comparatives

Comparative information from prior year has been presented in the financial statements.

NOTE 2 - INCOME TAX

	2017 $	2016 $
The prima facie tax payable on Profit / (Loss) before Income Tax is reconciled to the Income Tax expense as follows:		
Profit/(loss) before income tax	(9,852)	(16,852)
Prima facie tax payable on Profit / (Loss) before Income Tax at 30%	(2,956)	(5,056)
Increase / (decrease) in income tax expense due to:		
Deferred tax assets not taken up	2,956	5,056
Income tax expense attributable to profit/(loss) for the year	–	--

Deferred Tax Assets not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% for Australian companies.

Tax Losses	9,852	16,852
Potential tax benefit	2,956	5,506
Temporary differences		
Other	–	--
Total deferred tax benefits not brought to account	2,956	5,056
Deferred Tax Liabilities		
Total deferred tax liabilities not brought to account	–	--
Total deferred tax assets not brought to account - net	2,956	5,056

NOTE 3 – KEY MANAGEMENT PERSONNEL

(a) Directors' Names

The names of directors of the Responsible Entity who have held office during the financial year and their memberships in the Club are:

Name	Memberships
William Francis Minnock	Executive
Pascale Dillon	–
Michael James Dunne	–
Robert John Martini	–

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 3 – KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Directors' Remuneration and Retirement Benefits

There is no remuneration provided with respect to services provided to the Club received or due and receivable from the Club and any related body corporate.

The directors of the Responsible Entity are directly accountable and responsible for the strategic direction and operational management of the Club. During the financial year there were no directors of the Club.

NOTE 4 - TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Member fees	873,108	206,032
Related party receivables	521,135	-
Other receivables	22,410	22,413
	1,416,653	228,445

NOTE 5 - PREPAYMENT

	2017 $	2016 $
Current		
Sublicense fee	404,296	-
Others	2,838	1,006
	407,134	1,006
Non-Current		
Sublicense fee	14,116,673	-
Total Prepayment	14,523,807	1,006

The Club entered into sub-license agreement with related parties which granted the Club licensees to exercise certain user right associated with vacation ownership interests. In turn, the Club has to pay an annual fee for these sub-licenses. The Club has prepaid these annual fees, which are to be recognized over the lease period of 36 years, expiring on 4 December 2053.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Club property and improvements, at cost*	6,929,098	6,929,098

**Marriott Resorts and Spa, Surfers Paradise - QLD*

In 2016, the Developer contributed $6,929,098 in capital, in the form of Club properties contributed at cost. Cost includes all costs incidental to acquisition such as stamp duty and legal fees

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 7 - TRADE AND OTHER PAYABLES

Related party payables	1,854,483	221,306
Accrued expenses	160,315	17,000
	2,014,798	238,306

NOTE 8 – Deferred Revenue

Current		
Lease income	372,710	-
Maintenance fee	755,495	184,578
	1,128,205	184,578
Non-Current		
Lease income	13,013,794	-
Total deferred revenue	14,141,999	184,578

In accordance with the Master Agreement entered into with Club Resort No.1 Australia Pty Ltd., the Club sells usage rights associated with the vacation ownership interest obtained by the club. The Club recognizes the income from the sale of such usage rights over the lease period of the ownership interests, which expires on 4 December 2053.

NOTE 9 - MEMBER EQUITY

	2016 No. of Points	**2016 $**
Balance at the beginning of the year	-	-
Generated during the year	1,948,250	6,929,098
Balance at end of the year	4,698,750	6,929,098

	2017 No. of Points	**2017 $**
Balance at the beginning of the year	1,948,250	6,929,098
Generated during the year	2,750,500	-
Balance at end of the year	4,698,750	6,929,098

During the year, the Club had generated 2,750,500 variables club points. These variables club points expire at the Expiry Date (and as extended by the Responsible Entity from time to time). At termination, Members who hold variable club points are not entitled to a share of proceeds of realisation of Club Property.

The developer is responsible for those unissued points as if they were points issued to the developer for sale to future members.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 10 – REMUNERATION OF AUDITORS

During the financial year, the following fees were paid or payable for services provided by Crowe Horwath, the auditor of the Club:

	2017 $	2016 $
Audit services		
Audit and review of annual financial statements	18,700	17,000
Audit and review of half-year financial statements	11,220	--
	29,920	17,000

NOTE 11 – CASH FLOW INFORMATION

(a) Reconciliation of net cash from operating activities to operating profit after income tax

	2017 $	2016 $
Loss before income tax	(9,852)	(16,852)
Adjustment for changes in assets and liabilities:		
Decrease / (increase) in:		
Trade and other receivables	(1,188,208)	(228,445)
Prepayments	(14,522,801)	(1,006)
Increase / (decrease) in:		
Trade and other payables	14,790,286	238,306
Deferred revenue	943,627	184,578
Net cash from operating activities	13,052	176,581

NOTE 12 - RELATED PARTY TRANSACTIONS

Transaction with Related Entities

(i) The Responsible Entity is Club Holidays Australia Limited. With the appointment of the Club Manager, there are no fees paid to the Responsible Entity by the Club during the year. As at 31 December 2017, there are no balances with the Responsible Entity.

(ii) The Developer is Club Resorts No.1 Australia Pty Ltd. During the year, the Developer contributed 18 Nusa Dua Gardens units, which it has placed into the Club unencumbered. As at year ended 31 December 2017, the Developer subsidy amounted $560,000 (2016: $229,142). And had recovered $169,413 (2016: Nil) from the Club for payment on behalf on cost related to dedicated units. As at 31 December 2017, the amount receivable from the developer was $521,135 (2016: Nil).

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) The Club Manager is MVCI Australia Pty Ltd. During the year, the Club Manager provided management services to the Club and received management fees amounting to $371,808 (2016: $253,226). The Club Manager has billed $838,174 (2016: $ Nil) to the Club for shared cost relating to the 17 Surfer's Paradise units dedicated. As at 31 December 2017, the amount payable to the Club Manager is $147,444 (2016: $157,989).

(iv) MVCI Asia Pacific Pte Ltd, registered in Singapore, has provided Human Resource Shared services to the Club during the year and charged total amount of $9,594 (2016: $ Nil). In the same year, the Club has charged a total amount of $33,112 (2016: $ Nil) for allocation of cost incurred for Regional Director of Resort Operation. As at 31 December 2017, the amount payable is $36,258 (2016: $ Nil).

(v) MVCI (Thailand) Ltd, registered in Thailand, has billed the club for shared services provided by associates hired directly under our Thailand related company amount to $179,990 (2016: $ Nil). As at 31 December 2017, the amount payable is $50,150 (2016: $ Nil).

(vi) During the year of 2017, PT Indonesia MOC Service who managed the 18 units of Nusa Dua Gardens dedicated to the Club had billed $22,055 (2016: $ Nil) for cost relating to these units. As at 31 December 2017, the amount payable is $23,929 (2016: $ Nil).

(vii) Asia Pacific Bali Hong Kong Holding Ltd has sub-licensed to the Club for rights to use in 18 Nusa Dua Gardens units for IDR 152,217,912,679 (2016: $ Nil). As at 31 December 2017, the amount payable is $1,596,701 (2016: $ Nil).

All amounts advanced to or payable to related parties are unsecured, non-interest bearing and will be settled in cash or intercompany loan.

NOTE 13 - FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Club's financial instruments consist mainly of term deposits with banks, accounts receivable and accounts payable.

The overall risk management strategy of the directors of the Responsible Entity seeks to assist the Club in meeting its financial targets, whilst minimising the potential adverse effects on financial performance.

Risk management policies are reviewed by the Board of Directors of the Responsible Entity on a regular basis. These include the credit risk policies and future cash flow requirements. The main purpose of non-derivative financial instruments is to manage cashflow for operations. The Club does not have any derivative instruments at 31 December 2017.

The most significant financial risks to which the Club is exposed to are credit risk and liquidity risk.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 13 - FINANCIAL INSTRUMENTS (CONTINUED)

	2017 $	2016 $
Financial assets		
Loans and Receivables		
- Trade and Other Receivables	1,416,653	228,445
Cash and cash equivalent	189,633	176,581
Financial liabilities		
Held at Amortised Cost		
- Current Trade and Other Payables	(2,014,798)	(238,306)
	(408,512)	166,720

i. Liquidity Risk

The Club manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities and ensuring that adequate unutilised borrowing facilities are maintained.

Trade and other payables are current and short term in nature. The Club is not exposed to any significant liquidity risk.

ii. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Club. The Club does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses, represents the Club's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The ageing of the Club's trade and other receivables at the reporting date was:

	2017 $	2016 $
Not past due (current)	1,412,549	228,445
Past due 0-30 days (30 day ageing)	–	–
Past due 31-60 days (60 day ageing)	–	–
Past due more than 60 days (+90 day ageing)	4,104	–
	1,416,653	228,445

These receivables do not contain impaired assets and are not past due. Based on the credit history of the receivables, it is expected that these amounts will be received when due.

For receivables that relate to maintenance fees that have not been paid by members, these members are unable to utilize their club points until such fees are paid. In the event that the member does not pay, and the membership is foreclosed, collection of the maintenance fees still owing will be recovered via the sale of the membership.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 13 - FINANCIAL INSTRUMENTS (CONTINUED)

ii. Capital risk management

The directors of the Responsible Entity manage the capital to ensure that the Club is able to continue as a going concern while maximising return to stakeholders, through the optimisation of debt and equity balances.

The capital structure of the Club consists of cash and cash equivalents and equity comprising of member equity, reserves and retained profits.

The board of the Responsible Entity reviews this structure and the associated risks with each class of capital on a regular basis.

Capital risk management policies remain unchanged from the prior year.

NOTE 14 – CONTINGENT LIABILITIES

There are no contingent liabilities at the date of this report.

NOTE 15 - EVENTS SUBSEQUENT TO BALANCE DATE

No material events occurred after balance date and the date of this report requiring disclosure.

NOTE 16 - COMPANY DETAILS

The Club is a registered Managed Investment Scheme and was registered by the Australian Securities and Investments Commission on 17 February 2016. The registered office and principal place of business is at 319 George Street Sydney NSW 2000.

DIRECTOR'S DECLARATION

The directors of the Responsible Entity declare that:

(a) The financial report and notes set out on pages 6 to 22 are in accordance with the Corporations Act 2001 and:

i. comply with Australian Accounting Standards including International Financial Reporting Standards (as set out in Note 1 to the financial statements) and the Corporations Regulations 2001 ; and

ii. give a true and fair view of the financial position of the Club as at 31 December 2017 and its performance, for the year ended on that date; and

This financial report was authorised for issue by the directors of the Responsible Entity on 23 March 2018.

(b) in the Directors' opinion:

i. at the date of this declaration, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.303 (5) of the Corporations Act 2001.

Pascale Dillon
Director
23 March 2018

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Independent Auditor's Report

To the Members of Marriott Vacation Club Destinations, Australia

Opinion

We have audited the financial report of Marriott Vacation Club Destinations, Australia ("the Club"), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Club is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Club's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Club in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Club, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of Club Holidays Australia Limited (the "Responsible Entity") are responsible for the other information. The other information comprises the information included in the Club's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

Responsibilities of the Directors for the financial report

The directors of the responsible entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the responsible entity are responsible for assessing the ability of the Club 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 Club or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our auditor's report.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Logan Meehan
Partner – Audit & Assurance

Signed at Brisbane, 28 March 2018