Diamond Resorts (Holdings) Limited

Report and Financial Statements

Year Ended

31 December 2015

Company Number 5071128

Diamond Resorts (Holdings) Limited

Report and financial statements
for the year ended 31 December 2015

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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

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

Diamond Resorts (Holdings) Limited

Strategic report
for the year ended 31 December 2015

The director presents her strategic report together with the audited financial statements for the year ended 31 December 2015.

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 £16.1m (2014 - £10.6m loss). The director does not recommend the payment of a dividend (2014 - £Nil).

Group operating loss before taxation increased by £5.5m compared with the prior year. The main factors were as follows:

(1) There is a £4.7m gross profit reduction in the sales and marketing operations across Europe. This decrease was principally attributable to reduced tour-flow of selling prospects and also a fall in the volumes generated per guest; this latter issue was in part due to a change in the sold product mix as the fractional holiday ownership offering was curtailed during the year as a result of falling demand as this product reached the expected final year of its lifespan.

(2) The net running costs of unoccupied resort accommodation increased by £1.2m, the majority of this uplift is due to additional Mediterranean accommodation acquired under an existing agreement and lower membership numbers.

(3) The group operates a share option scheme for senior employees and there is a reduction in expenses of £0.8m (see note 33).

Membership numbers declined slightly again, although at a level within expectation as the sales and marketing operation concentrates on selling to the existing membership base (warm line), with only a low level of new entrants joining the holiday ownership system (cold line). The director and other key management personnel are concerned with the drop off in revenues and steps have been taken to restructure the sales & marketing operations across Europe with the aim of reducing regional losses and turning around poorly performing selling sites in the future. As a result, the unprofitable Mediterranean selling and marketing operation was considerably downsized following the end of the selling season in that region (autumn 2015), with the curtailment of sales to new entrants (cold line prospects) going forward.

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 or memberships upgraded to fractional ownership
- 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 9%:

(1) Sales of full holiday ownership and shorter term timeshare products were a combined £6.6m lower this year. The majority of this decrease can be attributed to two factors; as discussed earlier there was a drop in converting existing holiday ownership members to the fractional timeshare product in existing sales locations. Such sales yield a higher volume per guest due to upgrade fees and in the prior year a higher proportion of total timeshare sales revenues resulted from this product (2015 – 50% of group timeshare revenues, 2014 – 77% of revenues). The poorly performing Mediterranean business also had a detrimental impact on the group as a whole with high direct marketing expenditure targeted at new entrants returning low tour-flow and poor conversion rates. Accordingly, there was a fall in group holiday ownership volumes per guest to £1,401 this year, (2014 - £1,791). Marketing tour-flow targeted at selling holiday ownership was 9% lower across Europe (a fall of 1,547 tours) at 15,806 tours, (2014 - 17,353 tours); the reduction attributable to the Mediterranean region was 692 tours.

(2) Revenues derived from hotel and timeshare resorts managed or owned by the group reduced by £0.3m this year. The majority of this fall can be attributed to a combination of currency conversion (the group earns certain revenues within EU countries that have the Euro currency and GBP sterling has been stronger this year), in addition, lower management fees were received as membership numbers declined slightly. Members of the European Collection holiday ownership occupied 375,000 room nights during the year (2014 - 390,000 room nights). This equated to 37% of available accommodation across the portfolio of resorts (2014 - 38% of available accommodation).

(3) Additional income of £1.4m was earned from the relationship with preferred rental partners. These rental partners occupied a higher level of total resort room space compared with the previous year, (as allocated from the developer's portion), being 25% this year, (2014 - 22% of space), equating to 252,000 room nights, (2014 -219,000 room nights). There was also a slight increase in the average daily rate charged to partners, (2015 - £41 per night, 2014 - £40 per night). The rental market continues to be competitive. This income partly reduces the developer's liability for unsold inventory and its associated accommodation expense.

Cost of sales increased by 27%:

(1) There has been a change in the mix of timeshare revenues, a lower portion of which related to upgrade revenues that are generated from the conversion of existing members from points holiday ownership to the new fractional holiday ownership (see Turnover comments above). As a result, the number of European Collection points sold has increased by 9.1m points to 25.0m (2014 - 15.9m), consequently, the cost of timeshare stock sold increased by £0.9m.

(2) In the prior year a rebate of £0.3m was obtained from the exchange company after a change in the contractual agreement.

Distribution costs decreased by 1%:

(1) £2.6m increase in carrying costs of unsold timeshare stock due to the aforementioned reduction in membership numbers and additional Mediterranean accommodation.

(2) £3.2m decrease in indirect and direct selling and marketing costs, the majority of which was either for staff salary and commission or tour related expenditure. Direct costs fell in accordance with the reduction in commissionable timeshare revenues and lower tour-flow generation.

Administration expenses decreased by 2%:

(1) Legal and professional fees were £0.9m higher due to fees incurred on advice and compliance regarding UK litigation, taxation across Europe and further corporate restructuring.

Key Performance Indicators *(continued)*

Administration expenses (continued)
(2) There is a reduction of £0.4m in IT consultancy expenditure required on European projects.
(3) Expenses recognised on the share-based remuneration scheme for senior group employees were £0.8m lower (see note 33).

Other operating income increased by 45% (see note 4):
There was a gain of £0.6m from the disposal of surplus timeshare stock at the Cypress Pointe resort, Florida, USA.

During the year the number of unsold points in the Diamond Resorts European Collection (the points trust) decreased by 4.0m to 156.4m (2014 - 160.4m). 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 £19.2m (2014 - £20.6m, see note 15).

Future developments

The group will monitor the demand for and financial suitability of existing membership benefit products and services and also continue the roll out of new products to keep the offering fresh. In addition, the group will continue to pursue opportunities to dispose of developer owned surplus unsold timeshare stock. The latter strategy will reduce the carrying costs of unoccupied resort accommodation. In addition, it is a desire of the director and other key management personnel to continue to increase the portfolio of affiliate resort and international destinations.

In addition, subsidiary undertakings of the company are also still investigating strategies to widen the client base to new nationalities and to acquire new resort management opportunities.

Risks and uncertainties

The market for timeshare 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 and marketing activities.

To help the business mitigate this risk and take corrective action, close attention is directed towards the key performance indicator "Volume per guest" and the relationship of this indicator to each type of marketing tour per region. The ability of regional sales teams to convert specific prospects and to achieve desired closing percentages will be reflected in this result.

The net liability position reported in the consolidated and company statement of financial position has arisen from borrowings obtained from the US parent company, the subsidiary of a US group headed by Diamond Resorts International 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, Diamond Resorts Corporation 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 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 US group level.

At the parent level in the US, the issued financial performance for the period under review is encouraging. The US group have successfully obtained credit facilities and credit conduits to finance consumer loans that are provided to customers in the US and to fund working capital and other corporate purposes worldwide.

Approval

This strategic report was approved by order of the Board on 28 September 2016

Susan Crook

S Crook
Director

The director presents her report together with the audited financial statements for the year ended 31 December 2015.

Director

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

S Crook
S J Hulme (resigned 3 September 2015)

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.

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.

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 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 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.

Statement of director's responsibilities *(continued)*

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

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.

BDO LLP offered themselves for reappointment as auditors in accordance with section 485 of the Companies Act 2006.

By order of the Board

S Crook Susan Crook
Director

Date 28 September 2016

TO THE MEMBERS OF DIAMOND RESORTS (HOLDINGS) LIMITED

We have audited the financial statements of Diamond Resorts (Holdings) Limited for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including, Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of director and auditors

As explained more fully in the statement of director's responsibilities, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Stuart Wood (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom

Date 30.9.16.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Diamond Resorts (Holdings) Limited

Consolidated statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014* £'000
Turnover	3	**54,964**	60,490
Cost of sales		**(6,009)**	(4,717)
Gross profit		**48,955**	55,773
Distribution costs		**(42,974)**	(43,589)
Administration expenses		**(20,246)**	(20,619)
Other operating income	4	**1,596**	1,102
Operating loss	5	**(12,669)**	(7,333)
Interest receivable	8	**774**	862
Interest payable	9	**(3,531)**	(3,484)
Loss on ordinary activities before taxation		**(15,426)**	(9,955)
Tax on loss on ordinary activities	10	**(661)**	(595)
Loss on ordinary activities after taxation		**(16,087)**	(10,550)
Other comprehensive income			
Foreign exchange differences		**(439)**	(455)
Share-based payment		**615**	1,368
Total comprehensive income for the year		**(15,911)**	(9,637)

The results disclosed above all relate to continuing operations.

*The restatements in relation to the year ended 31 December 2014 are explained in notes 1 and 35 relating to the first time adoption of FRS 102.

The notes on pages 16 to 40 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of financial position as at 31 December 2015

Company number 5071128	Note	2015 £'000	2015 £'000	2014* £'000	2014* £'000
Fixed assets					
Intangible assets	12		**1,768**		2,484
Tangible assets	13		**3,339**		3,568
			5,107		6,052
Current assets					
Stocks	15	**36,553**		36,026	
Debtors:					
Amounts falling due within one year	16	**47,870**		48,455	
Amounts falling due after one year	16	**332**		519	
Cash at bank and in hand	17	**35,427**		44,346	
		120,182		129,346	
Creditors: amounts falling due within one year	18	**(176,924)**		(103,301)	
Net current liabilities			**(56,742)**		26,045
Total assets less current liabilities			**(51,635)**		32,097
Creditors: amounts falling due after more than one year	19		**-**		(67,412)
Provisions for liabilities and charges	20		**(3,056)**		(3,465)
Net liabilities			**(54,691)**		(38,780)
Capital and reserves					
Called up share capital	22		**49,000**		49,000
Profit and loss account	23		**(49,982)**		(34,071)
Capital reserve	23		**500**		500
Merger reserve	23		**(54,209)**		(54,209)
Equity shareholders' deficit			**(54,691)**		(38,780)

The financial statements were approved by the Board and authorised for issue on 28 September 2016

S Crook Susan Crook
Director

*The restatement in relation to the year ended 31 December 2014 is explained in note 35. Relating to the first time adoption of FRS 102.

The notes on pages 16 to 40 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Share capital £'000	Profit and loss account £'000	Capital reserve £'000	Merger reserve £'000	Total equity £'000
1 January 2015 (as restated)	**49,000**	**(34,071)**	**500**	**(54,209)**	**(38,780)**
Comprehensive income for the year:					
Loss for the year	-	**(16,087)**	-	-	**(16,087)**
Foreign exchange differences	-	**(439)**	-	-	**(439)**
Total comprehensive income for the year	-	**(16,526)**	-	-	**(16,526)**
Contributions by and distributions to owners					
Share-based credit	-	**615**	-	-	**615**
Total contributions by and distributions to owners	-	**615**	-	-	**615**
31 December 2015	**49,000**	**(49,982)**	**500**	**(54,209)**	**(54,691)**

Diamond Resorts (Holdings) Limited

Consolidated statement of changes in equity (continued)
for the year ended 31 December 2015

	Share capital £'000	Profit and loss account £'000	Capital reserve £'000	Merger reserve £'000	Total equity £'000
1 January 2014 (as restated)	49,000	(24,434)	500	(54,209)	(29,143)
Comprehensive income for the year:					
Loss for the year (as previously stated)	-	(7,310)	-	-	(7,310)
First time adoption of FRS 102 (note 35):					
Short-term compensated absences	-	(10)	-	-	(10)
Financial instruments at fair value	-	(3,230)	-	-	(3,230)
Foreign exchange differences	-	(455)	-	-	(455)
Total comprehensive income for the year	-	(11,005)	-	-	(11,005)
Contributions by and distributions to owners					
Share-based credit	-	1,368	-	-	1,368
Total contributions by and distributions to owners	-	1,368	-	-	1,368
31 December 2014 (as restated)	49,000	(34,071)	500	(54,209)	(38,780)

The notes on pages 16 to 40 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of cash flows
for the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Loss for the financial year	**(16,087)**	(10,550)
Adjustments for:		
Depreciation, impairment and amortisation of fixed assets	**1,228**	1,910
Net interest receivable	**(650)**	(608)
Taxation expense	**661**	595
Share based payment charges	**615**	1,368
Intercompany loans at fair value	**3,407**	3,230
Decrease/(increase) in trade and other debtors	**467**	(264)
Increase in stocks	**(1,975)**	(2,375)
Increase in trade and other creditors	**3,152**	4,637
(Decrease)/increase in provisions	**(388)**	22
Foreign exchange	**449**	(336)
Cash from operations (note 27)	**(9,121)**	(2,371)
Interest paid	**(98)**	(11)
Taxation paid	**(579)**	(1,242)
Net cash generated from operating activities	**(9,798)**	(3,624)
Cash flows from investing activities		
Loss on disposal of fixed assets	**153**	20
Purchases of tangible fixed assets	**(690)**	(1,463)
Interest received	**774**	862
Net cash from investing activities	**237**	(581)
Cash flows from financing activities		
Capital element of lease repaid	**(3)**	(3)
Increase in loan from fellow group member (note 26)	**1,459**	-
Net cash used in financing activities	**1,456**	(3)
Net (decrease) in cash and cash equivalents	**(8,105)**	(4,208)
Cash and cash equivalents at beginning of year	**44,334**	49,252
Foreign exchange gains and losses	**(820)**	(710)
Cash and cash equivalents at end of year	**35,409**	44,334
Cash and cash equivalents comprise:		
Cash at bank and in hand	**35,427**	44,346
Bank overdrafts	**(18)**	(12)
	35,409	44,334

The notes on pages 16 to 40 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Company statement of financial position
as at 31 December 2015

Company number 5071128	Note	2015 £'000	2015 £'000	2014* £'000	2014* £'000
Fixed assets					
Investments	14		**4,833**		4,833
Current assets					
Debtors	16	**7,738**		7,772	
Creditors: amounts falling due within one year	18	**(72,210)**		(7,032)	
Net current liabilities			**(64,472)**		740
Total assets less current liabilities			**-**		5,573
Creditors: amounts falling due after more than one year			**-**		(61,958)
Net liabilities			**(59,639)**		(56,385)
Capital and reserves					
Called up share capital	22		**49,000**		49,000
Profit and loss account	23		**(108,639)**		(105,385)
Equity shareholders' deficit			**(59,639)**		(56,385)

The financial statements were approved by the Board and authorised for issue on 28 September 2016

S Crook Susan Crook
Director

*The restatement in relation to the year ended 31 December 2014 is explained in note 35. Relating to the first time adoption of FRS 102.

The notes on pages 16 to 40 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Company statement of changes in equity
for the year ended 31 December 2015

	Share capital £'000	Profit and loss account £'000	Total equity £'000
1 January 2015 (as restated)	**49,000**	**(105,385)**	**(56,385)**
Comprehensive income for the year:			
Profit for the year (as previously stated)	-	**153**	**153**
First time adoption of FRS 102 (note 35):			
Financial instruments at fair value	-	**(3,407)**	**(3,407)**
Total comprehensive income for the year	-	**(3,254)**	**(3,254)**
31 December 2015	**49,000**	**(108,639)**	**(59,639)**

	Share capital £'000	Profit and loss account £'000	Total equity £'000
1 January 2014 (as restated)	49,000	(102,296)	(53,296)
Comprehensive income for the year:			
Profit for the year (as previously stated)	-	141	141
First time adoption of FRS 102 (note 35):			
Financial instruments at fair value	-	(3,230)	(3,230)
Total comprehensive income for the year	-	(3,089)	(3,089)
31 December 2014	49,000	(105,385)	(56,385)

The notes on pages 16 to 40 form part of these financial statements.

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.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 35.

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.

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in net assets, because of an undertaking by Diamond Resorts International 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.

The comparative statement of comprehensive income has been restated to ensure consistency with the current period and all rental revenues derived from surplus holiday accommodation have been reclassified within the statement to correctly recognise their strategic importance. The director now considers that any such revenues are a key revenue stream, especially with regard to their materiality as part of total income and as such they are no longer considered to be a supplemental income stream. As a result, £9,075,000 has been transferred from other operating income to turnover. This has no impact on the result for the prior year.

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 30) drawn up to 31 December 2015. The consolidation of subsidiaries has been accounted for using the equity method of accounting.

Financial assets

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

Financial liabilities and equity

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

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.

1 Accounting policies *(continued)*

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's sales and marketing operation are recognised when the 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.

Fractional holiday ownership points

Also included within turnover are sales of a points related product that allows the purchaser to acquire a share in a specific unit of holiday accommodation but with the added benefit of full holiday ownership membership. This fractional product has a finite life of 15 years, after which the accommodation will be marketed for sale by First National Trustee Company and after disposal each fractional member will receive a share of the net proceeds generated. The majority of revenues from this product are conversion fees payable by existing members of the Diamond Resorts European Collection.

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

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% per annum
Motor vehicles	-	33% per annum

Intangible fixed assets

Patents, intellectual property rights and trademarks 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.

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 and value in use.

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, representing the right to use accommodation at properties in a timeshare trust.	-	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.

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.

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.

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.

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.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition. The fair value of the award also takes into account non-vesting conditions. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to comprehensive income over the remaining vesting period. Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

1 Accounting policies *(continued)*

Timeshare Club accounting

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 former comprise 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.

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.

In preparing these financial statements, the director has made the following judgements:

- Determine whether leases entered into by the group either as lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component.

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

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

Fixed asset Investments (see note 14)

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.

Tangible fixed assets (see note 13)

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.

Stocks (see note 15)

The group shall measure inventories at the lower of cost and estimated selling price less costs to complete and sell.

The director's believe 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 shall use 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 directors' have 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).

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.

Share-based payments (see note 33)

Where the group's ultimate parent undertaking has granted rights to its equity instruments to employees of the company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the group is not recharged by its parent. The capital contribution recognised in the period of £615,000 (2014 -£1,368,000) has been calculated as the fair value of vesting options during the period. The director has utilised the option pricing model -'Black-Scholes' *for this purpose.*

3 Turnover

The turnover and loss on ordinary activities before taxation are attributable to the principal activity of the group. Turnover includes sales of stocks of holiday ownership, in the form of timeshare points in Diamond Resorts European Collection Limited and also fees receivable on the conversion of ownerships to the fractional points product, together with commissions on related activities and resort management fees charged at a cost plus agreed percentage. An analysis of turnover by geographical location and business segment has not been presented as the director considers such a disclosure to be seriously prejudicial to the interest of the group.

4 Other operating income

	2015 £'000	Restated 2014* £'000
Commission and fees received	**557**	626
Sundry income	**253**	63
Profit on disposal of other assets in Mainland Spain	**204**	319
Profit on disposal of surplus timeshare stock	**582**	94
	1,596	1,102

*The restatement in relation to the year ended 31 December 2014 is explained in note 1.

5 Operating loss

	2015 £'000	2014 £'000
This is arrived at after charging/(crediting):		
Depreciation:		
- owned assets	**621**	582
- assets held under finance leases and hire purchase contracts	**3**	4
Amortisation of intangible fixed assets	**604**	641
Impairment of intangible fixed assets	**-**	683
Cost of sales:		
- consumables and resort services	**2,410**	1,805
- timeshare points	**3,599**	2,912
Operating lease rentals:		
- land and buildings	**1,166**	996
- other	**95**	99
Share-based payments	**615**	1,368
Foreign exchange differences	**489**	283
Staff costs including directors' remuneration:		
- salaries	**23,113**	24,228
- defined contribution plans	**59**	57
Loss on disposal of tangible fixed assets	**108**	20
Profit on disposal of other assets in Mainland Spain	**(204)**	(319)
Profit on disposal of surplus timeshare stock	**(582)**	(94)

5 Operating loss *(continued)*

	2015 £'000	2014 £'000
Auditors' and associates of group's auditors:		
- Fees payable for the auditing of the group's annual accounts	**276**	268
- Fees payable for the auditing of non-statutory club accounts	**67**	65

6 Employees

Staff costs for the year were as follows:	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Wages and salaries	**20,042**	20,758	-	-
Social security costs	**3,071**	3,470	-	-
Pension costs	**59**	57	-	-
	23,172	24,285	-	-

The average number of employees during the year was:	Number	Number	Number	Number
Sales and marketing	**387**	416	-	-
Finance and administration	**272**	246	-	-
	659	662	-	-

7 Director's remuneration

	2015 £'000	2014 £'000
Aggregate emoluments (including benefits in kind)	**198**	182

During the year the group contributed to the private pension plans of no directors (2014 - no directors).
During the year no directors exercised shares (2014 – none).

8 Interest receivable

	2015 £'000	2014 £'000
Other interest	**16**	54
Bank interest	**11**	42
Maintenance fee finance interest	**747**	766
	774	862

9 Interest payable

	2015 £'000	2014* £'000
Interest payable to group undertakings	**25**	253
Notional interest charged on related party loan (note 26)	**3,407**	3,230
Finance leases and hire purchase contracts	**1**	1
Other interest	**98**	-
	3,531	3,484

*The restatement in relation to the year ended 31 December 2014 is explained in note 35.

10 Tax on loss on ordinary activities

	2015 £'000	2014 £'000
The tax charge represents:		
- UK corporation tax at 20.25% (2014 - 21.50%)	**-**	-
- Overseas	**543**	1,219
- Adjustment in respect of prior years	**163**	(405)
	706	814
Deferred tax (Note 21)	**(45)**	(219)
	661	595

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:

	2015 £'000	2014 £'000
Loss on ordinary activities before taxation	**(15,426)**	(9,955)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%)	**(3,124)**	(2,140)
Effect of:		
Expenses not allowed as tax deductions	**37**	3,023
Difference in tax rates on overseas earnings	**(166)**	(4)
Trade losses utilised	**-**	(1,913)
Unrecognised losses	**3,518**	1,971
Other timing differences	**233**	63
Adjustment in respect of prior years	**163**	(405)
Current tax charge for the year	**661**	595

11 Loss for the financial year

The company has taken advantage of section 408 of the 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 £3,254,000 (2014 loss - £3,089,000). See note 23.

12 Intangible fixed assets

Group	Purchased goodwill £'000	Management contracts £'000	Total £'000
Cost			
At 1 January 2015	6,521	138	6,659
Foreign exchange	(165)	(6)	(171)
At 31 December 2015	**6,356**	**132**	**6,488**
Amortisation			
At 1 January 2015	4,102	73	4,175
Provided in the year	578	26	604
Foreign exchange	(56)	(3)	(59)
At 31 December 2015	**4,624**	**96**	**4,720**
Net book value			
At 31 December 2015	**1,732**	**36**	**1,768**
At 31 December 2014	2,419	65	2,484

The goodwill brought forward relates to the purchase of IGR Mougins SARL, Vilar do Golf LDA and to the acquisition of the Cypriot and Greek based sales and marketing company, Aegean Blue Holdings Limited.

IGR Mougins SARL and Vilar do Golf LDA goodwill is being amortised over 20 years, Aegean Blue Holdings Limited goodwill is being amortised over 7 years, being the director's best estimate of their useful economic lives.

13 Tangible fixed assets

Group	**Freehold land and buildings £'000**	**Fixtures and fittings £'000**	**Motor vehicles £'000**	**Total £'000**
Cost				
At 1 January 2015	4,065	4,731	267	9,063
Additions	121	533	36	690
Disposals	(128)	(453)	(17)	(598)
Foreign exchange	(182)	(131)	(13)	(326)
At 31 December 2015	**3,876**	**4,680**	**273**	**8,829**
Depreciation				
At 1 January 2015	1,765	3,479	251	5,495
Provided in the year	180	433	11	624
Disposals	(20)	(412)	(17)	(449)
Foreign exchange	(72)	(97)	(11)	(180)
At 31 December 2015	**1,853**	**3,403**	**234**	**5,490**
Net book value				
At 31 December 2015	**2,023**	**1,277**	**39**	**3,339**
At 31 December 2014	2,300	1,252	16	3,568

The net book value of assets held under finance leases at 31 December 2015 amounted to £2,000 (2014 - £5,000). Depreciation charged on these assets in the year amounted to £3,000 (2014 - £4,000).

Freehold land and buildings include the cost of improvements to the UK head office and Greek sales centres held under an operating lease or rental agreement. The net book value of these assets amounted to £138,000 (2014 - £203,000) Depreciation charged on these assets in the year amounted to £31,000 (2014 - £24,000) 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 10 years.

14 Investments

	Group £'000	Company £'000
Cost		
At 1 January 2015 and 31 December 2015	**-**	**96,843**
Accumulated impairment charge		
At 1 January 2015 and 31 December 2015	**-**	**92,010**
Net book value		
At 31 December 2015	**-**	**4,833**
At 31 December 2014	-	4,833

Subsidiary undertakings as at 31 December 2015 are shown in note 30.

15 Stocks

	Group 2015 £'000	Group 2014 £'000
Timeshare points in trust	**19,244**	20,621
Timeshare weeks in trust	**4,776**	3,112
Other non-points trading stock	**12,359**	12,073
Consumables	**174**	220
	36,553	36,026

16 Debtors

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due within one year:				
Trade debtors	**3,333**	4,159	-	-
Corporation tax	-	44	-	-
Deferred tax	**251**	217	-	-
Club maintenance fee debtors	**36,159**	36,767	-	-
Other debtors	**2,596**	1,770	-	-
Amounts owed by group undertakings	-	-	**7,738**	7,772
Prepayments and accrued income	**2,361**	3,004	-	-
Taxation and social security	**3,170**	2,494	-	-
	47,870	48,455	**7,738**	7,772

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

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due after more than one year:				
Trade debtors	**332**	519	-	-

The impairment loss recognised in the group profit or loss for the period in respect of bad and doubtful trade debtors was £324,568 (2014 - £26,576). The impairment loss recognised in the company profit or loss for the period in respect of bad and doubtful trade debts was £NIL (2014 - £NIL).

17 Cash at bank and in hand - group

Cash at bank and in hand includes cash balances of £29,648,000 (2014 - £31,876,000) held on behalf of the Resort Clubs.

18 Creditors: amounts falling due within one year

	Group 2015 £'000	Group 2014* £'000	Company 2015 £'000	Company 2014* £'000
Bank overdrafts	**18**	12	-	-
Obligations under finance leases (note 19)	**1**	3	-	-
Trade creditors	**4,194**	3,694	-	-
Corporation tax	**92**	-	-	-
Other taxation and social security	**11,927**	9,409	-	-
Other creditors	**585**	614	-	-
Amounts owed on behalf of club members	**66,888**	66,158	-	-
Amounts owed to group undertakings	-	-	**3,661**	3,661
Accruals	**5,793**	7,361	-	-
Deferred income	**11,533**	12,679	-	-
Loan from parent company	**65,365**	-	**65,365**	-
Amounts owed to parent company	**3,184**	3,371	**3,184**	3,371
Loan from fellow group company	**7,344**	-	-	-
	176,924	103,301	**72,210**	7,032

*The restatements in relation to the year ended 31 December 2014, being an increase of £30,000 to accruals and deferred income and a reduction of £3,407,000 to the loan from parent company are explained in note 35.

Details of the loan from parent company and fellow group company based in the United States of America are given in note 26.

The amounts owed on behalf of club members are repayable on demand.

19 Creditors: amounts falling due after more than one year

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Loan from parent company	-	61,958	-	61,958
Loan from fellow group company	-	5,452	-	-
Obligations under finance leases	-	2	-	-
	-	67,412	-	61,958

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

Group	Loans and overdrafts 2015 £'000	Finance leases 2015 £'000	Total 2015 £'000
In one year or less, or on demand	**72,727**	**1**	**72,728**

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

Group	Loans and overdrafts 2014 £'000	Finance leases 2014 £'000	Total 2014 £'000
In one year or less, or on demand	12	3	15
In more than one year but not more than five years	67,410	2	67,412
	67,422	5	67,427

20 Provisions for liabilities and charges

	Note	At 1 January 2015 £'000	Additions £'000	Amounts used £'000	At 31 December 2015 £'000
Sales and marketing	(1)	1,196	894	(1,388)	**702**
Overseas taxes	(2)	328	-	(184)	**144**
Maintenance and repairs	(3)	1,855	-	-	**1,855**
UK taxes	(4)	86	-	-	**86**
Litigation in the UK	(5)	-	269	-	**269**
		3,465	1,163	(1,572)	**3,056**

(1) The group provides incentives to potential customers to purchase as part of its marketing activities. These consist primarily of awards or vouchers which can be redeemed for travel and accommodation.

(2) There is a risk that the group could be required to pay additional overseas indirect taxes. The timing of these payments is uncertain.

(3) The group has an obligation under a planning agreement with a local council to perform renovations at a UK resort with an estimated cost of £1,825,000. The period during which these renovations are to take place is expected to be within the next ten years. In addition, a provision of £30,000 has been made for dilapidations at leasehold offices.

(4) There is a provision of £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.

(5) There has been a legal settlement provided for in the UK, this relates to an on-going legal dispute at a hotel resort.

21 Deferred taxation

The company has an unrecognised deferred tax asset of £3.0m, (2014 - £3.4m) representing unutilised tax losses carried forward. The group has an unrecognised deferred tax asset of £20.6m (2014 - £19.1m) for the same category. These assets have not been recognised due to the uncertain timing of future tax recoverability.

22 Share capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
48,999,450 Ordinary shares of £1 each	**49,000**	49,000

23 Profit and loss account and reserves

Group	**Merger reserve 2015 £'000**	**Capital reserve 2015 £'000**	**Profit and loss reserve 2015 £'000**
At 31 December 2014 (as previously stated)	(54,209)	500	(37,448)
First time adoption of FRS 102 (note 35):			
Short-term compensated absences	-	-	(30)
Financial instruments at fair value	-	-	3,407
At 1 January 2015 (as restated)	(54,209)	500	(34,071)
Loss for the financial year	-	-	(16,087)
Capital contribution - share-based payments	-	-	615
Foreign exchange differences	-	-	(439)
At 31 December 2015	**(54,209)**	**500**	**(49,982)**

Company	**2015 £'000**
At 31 December 2014 (as previously stated)	(108,792)
First time adoption of FRS 102 (note 35):	
Financial instruments at fair value	3,407
At 1 January 2015 (as restated)	(105,385)
Loss for the financial year	(3,254)
At 31 December 2015	**(108,639)**

24 Commitments under operating leases

As at 31 December 2015, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2015 £'000	Land and buildings 2014 £'000	Other 2015 £'000	Other 2014 £'000
Within one year	**1,059**	1,166	**69**	95
In two to five years	**2,662**	3,800	**33**	93
After five years	**47**	110	**-**	1
	3,768	5,076	**102**	189

25 Financial Instruments

2015	Carrying amount £'000	Total contractual undiscounted cash flow £'000	Within 1 year or on demand £'000	More than 1 year but less than 2 years £'000
Group				
Financial assets				
Financial assets that are debt instruments measured at amortised cost	77,847	77,847	77,515	332
	77,847	77,847	77,515	332
Financial liabilities				
Financial liabilities measured at amortised cost	153,372	153,372	153,372	-
	153,372	153,372	153,372	-
Company				
Financial assets				
Financial assets that are debt instruments measured at amortised cost	7,738	7,738	7,738	-
	7,738	7,738	7,738	-
Financial liabilities				
Financial liabilities measured at amortised cost	72,210	72,210	72,210	
	72,210	72,210	72,210	-

25 Financial Instruments *(continued)*

2014	**Carrying amount £'000**	**Total contractual undiscounted cash flow £'000**	**Within 1 year or on demand £'000**	**More than 1 year but less than 2 years £'000**
Group				
Financial assets				
Financial assets that are debt instruments measured at amortised cost	87,561	87,561	86,997	519
	87,561	87,561	86,997	519
Financial liabilities				
Financial liabilities measured at amortised cost	148,625	152,032	81,213	67,412
	148,625	152,032	81,213	67,412
Company				
Financial assets				
Financial assets that are debt instruments measured at amortised cost	7,772	7,772	7,772	-
	7,772	7,772	7,772	-
Financial liabilities				
Financial liabilities measured at amortised cost	68,990	72,397	7,032	61,958
	68,990	72,397	7,032	61,958

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.

26 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 2015 was £65,365,000 (2014 - £61,958,000). Under this revolving credit agreement the outstanding principal and interest unpaid is due and repayable. However, the director has obtained confirmation that the credit facility will not actually be repayable 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 for a period of three years, beginning 1 January 2013.
However, due to the first time adoption requirements of FRS 102, (see note 35) this loan has been adjusted to reflect the present value of future payments, discounted at a market rate of 5.5%. Pursuant to this, the fair value of the loan was reduced by £6,637,000 at 31 December 2013. Subsequently there has been a notional interest charge applied during the year of £3,407,000 (2014 - £3,230,000).

Separately, the company also has a trading account balance with its parent to fund working capital requirements. The balance owed at 31 December 2015 was £3,184,000 (2014 - £3,371,000).

(2) A subsidiary undertaking of the company, Diamond Resorts AB Acquisition Company Limited, entered into a loan and credit agreement for principal 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 (2014 - 6% per annum). The balance owed at 31 December 2015 was £7,344,000 (2014 - £5,452,000).

Key management personnel compensation

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

	2015 £'000	2014 £'000
Short-term benefits	**820**	796
Other long-term employee benefits	**-**	-
Share-based payments	**489**	55
	1,309	851

In addition, the ultimate parent undertaking has made a recharge of £1,836,000 (2014 - £1,704,000) 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.

27 Funds available for use by the group

	2015 £000	2014 £000
Net outflow from operations (see cash flow, page 13)	**(9,121)**	(2,371)

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

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

	2015 £000	2014 £000
Net cash (outflow)/ inflow available for use by the group	**(6,894)**	4,569
Net cash outflow held on behalf of the club members	**(2,227)**	(6,940)
Net cash outflow from operations	**(9,121)**	(2,371)

28 Contingent liabilities

(1) There is a contingent liability for overseas indirect taxes. It is not practicable to quantify this liability until the group has completed a review of its group structure. A related provision has been made for taxes which are more likely than not to be incurred (note 20).

(2) 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.

(3) During the year legal cases were brought against the group in breach of contract. These cases have not been resolved at the date of the approval of these financial statements. Accordingly no provision for any liability from such claims has been made in the financial statements.

29 Ultimate parent undertaking

At the balance sheet date the director regarded Diamond Resorts International Inc, a company incorporated in the USA, as the company's ultimate parent undertaking.

The principal place of business is at 10600 West Charleston Blvd, Las Vegas, Nevada 89135-1014, USA. The consolidated accounts of the group can be obtained from the above address.

Post balance sheet event

On 2 September 2016 Diamond Resorts International Inc. completed a definitive merger agreement and was acquired by affiliates of certain funds managed by affiliates of Apollo Global Management LLC, a New York Stock Exchange listed entity in the USA.

As at that date, the director now regards BRH Holdings GP Limited, a company incorporated in the Cayman Islands, a British overseas territory, as the company's ultimate parent undertaking. Registered office: c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Cayman Islands KY1-9005.

30 Subsidiary undertakings

The group headed by the company had the following subsidiary undertakings as at 31 December 2015.

Name of subsidiary	Country of incorporation	Class held	Proportion held
Intermediate holding company			
Diamond Resorts (Group Holdings) Plc	England	Ordinary	100%
Diamond Resorts AB Acquisition Company Ltd	England	Ordinary	100%
Diamond Resorts Deutschland Holding GmbH	Germany	Ordinary	100%
Aegean Blue Holdings Limited	Cyprus	Ordinary	100%
Development and/or sale of holiday ownership			
Diamond Resorts (Europe) Limited	England	Ordinary	100%
Collie Inversion Inmobiliario Santa Cruz SL	Spain	Ordinary	100%
Labrador Inversiones Inmobiliarias Costa del Sol SL	Spain	Ordinary	57.5%
Los Amigos Beach Club Management Limited	Isle of Man	Ordinary	100%
Los Amigos Beach Club Limited	Isle of Man	Ordinary	100%
Floriana Holdings Limited	Gibraltar	Ordinary	100%
Diamond Resorts Excursions SL	Spain	Ordinary	100%
Diamond Resorts Portugal Clube de Ferias Lda	Portugal	Ordinary	100%
Diamond Resorts Sales Italy SRL	Italy	Ordinary	100%
Diamond Resorts Mediterranean Holdings Limited	Cyprus	Ordinary	100%
Diamond Resorts Vacations Touristic EPE	Greece	Ordinary	100%
Diamond Resorts Deutschland Vertriebsgesellschaft mbH	Germany	Ordinary	100%
Diamond Resorts Voyages SARL	France	Ordinary	100%
Financial services			
Diamond Resorts Financial Services Limited	England	Ordinary	100%
Management of resorts and central services			
Diamond Resorts Deutschland Betriebsgesellschaft mbH	Germany	Ordinary	100%
Diamond Resorts Mediterranean PLC	Cyprus	Ordinary	100%
Diamond Resorts Mediterranean Management Limited	Cyrpus	Ordinary	100%
Club Resorts MEPE	Greece	Ordinary	100%
Resort Management Services SL	Spain	Ordinary	99.8%
LS International Resort Management Limited	England	Ordinary	100%

30 Subsidiary undertakings *(continued)*

Name of subsidiary	Country of incorporation	Class held	Proportion held
Management of resorts and central services			
Vacation Club Partnerships Limited	England	Ordinary	100%
Vilar do Golf Empreendimentos Turisticos Lda	Portugal	Ordinary	100%
Diamond Resorts Italia SRL	Italy	Ordinary	100%
IGR Mougins SARL *	France	Ordinary	100%
Golf club management			
Diamond Resorts Broome Park Golf Limited	England	Ordinary	100%

Name of subsidiary	Country of incorporation
Clubs**	
Thurnham Owners Club	England
Pine Lake Owners Club	England
Woodford Bridge Country Club	England
Cromer Country Club	England
Kenmore Club	England
Royal Sunset Beach Club	Spain
Royal Tenerife Country Club	Spain
Sahara Sunset	Spain
Sunset Bay	Spain
Sunset Harbour	Spain
Santa Barbara	Spain
Sunset View	Spain
Royal Oasis Club at Benal Beach	Spain
Club del Carmen	Spain
White Sands Beach Club	Spain
Club Cala Blanca	Spain
Los Amigos Beach Club	Spain
Royal Oasis Club at P. Quinta	Spain
Royal Regency	France
Moulin de Connelle	France

* Shares in this entity are directly owned by a subsidiary of First National Trust Company (Grand Vacation Club Title Limited) and are held on trust for the beneficial interest of points' members. This entity is consolidated by virtue of the group's management of day to day operations and its entitlement to commercial revenues generated from the assets of the entity.

** These are unincorporated undertakings which are consolidated by virtue of the group's power to exercise control over them.

31 Capital commitments

There were no capital commitments at 31 December 2015 or 31 December 2014.

32 Financial commitments

(1) The company is party to a cross guarantee, registered 25 April 2007, which secures the revolving credit facility provided by Diamond Resorts Corporation, a fellow member of the group headed by Diamond Resorts International Inc, at the balance sheet date, to the subsidiary companies. The amount outstanding at the year-end was £65,365,000 (2014 - £61,958,000). 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 certain of the Diamond group companies is secured by a cross guarantee enabling credit balances and deficit balances within the Diamond group to be offset.

33 Share-based payments

The group's ultimate parent undertaking, Diamond Resorts International Inc. operates a share option scheme for senior employees of the global group. This scheme includes individuals that are employed by and provide services to the European business. Options are exercisable at a price equal to the closing quoted market price of the ultimate parent undertakings shares on the day of grant. 25.0% of shares issuable upon the exercise of such options vested immediately on the grant date and the remaining 75.0% vests equally on each of the next three grant date anniversary dates. All of these options expire ten years from the grant date, the only vesting condition being that the individual remains an employee of the group over the three year vesting period.

	2015 Weighted average exercise price (USD - cents)	2015 Number	2014 Weighted average exercise price (USD - cents)	2014 Number
Outstanding at the beginning of year	**1,610**	**245,050**	1,400	172,800
Granted during the year	**3,270**	**58,000**	1,860	115,000
Forfeited during the year	**2,670**	**(22,000)**	-	-
Exercised during the year	**1,620**	**(64,250)**	1,440	(42,750)
Expired during the year	-	-	-	-
Outstanding at the end of the year	**1,940**	**216,800**	1,610	245,050

The exercise price of options outstanding at the end of the year ranged between 1,400 USD cents and 3,270 USD cents (2014 - 1,400 USD and 1,860 USD cents) and their weighted average contractual life was 8.2 years (2014 - 8.8 years).

Of the total number of options outstanding at the end of the year, 121,100 (2014 - 72,400) had vested and were exercisable at the end of the year.

The weighted average share price during the year was estimated to be 3,145 USD cents (2014 - 2,312) at the date of exercise of options.

The fair value of the share options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The director believes that this model is the most appropriate methodology to use as it has been utilised by the ultimate parent undertaking, and issuer of the options in the USA.

The following information is relevant in the determination of the fair value of options granted during the current and previous years under the equity-settled share based remuneration scheme operated by the ultimate parent undertaking of the group.

	2015	2014
Equity-settled		
Option pricing model used	**Black-Scholes**	Black-Scholes
Weighted average share price at grant date (USD - cents)	**3,270**	1,860
Exercise price (USD - cents)	**3,270**	1,860
Weighted average contractual life (years)	**10**	10
Expected volatility	**45.7%**	52.8%
Risk-free interest rate	**2.8%**	3.2%
Expected dividend growth rate	**0%**	0%

33 Share-based payments *(continued)*

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices for a group of identified peer companies over the expected term of the share options on the grant date due to a lack of historical share trading prices of the ultimate parent undertaking.

The group recognised total expenses of £615,000 (2014 -£1,368,000) related to equity-settled share-based payment transactions.

The group did not enter into any share-based payment transactions with parties other than employees during the current or prior year.

34 Employer pension scheme

The group operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the group of £59,000 (2014 - £57,000). The amount outstanding to be paid to the scheme at the year-end was £5,000 (2014 - £5,000).

35 First time adoption of FRS 102

This is the group's first set of financial statements prepared in accordance with FRS 102. The accounting policies, which are set out in note 1, are unchanged except in respect of the following items. The effects on the transition date balance sheet, the 31 December 2014 restated balance sheet, and the 2014 restated profits, are shown below.

	Note	Equity as at 1 January 2014 £'000	Profit for the year ended 31 December 2014 £'000	Equity as at 31 December 2014 £'000
Group				
As previously stated under former UK GAAP		(35,760)	(7,310)	(43,070)
Transitional adjustments				
Change in the period for recognising short-term compensated absences	a	(20)	(10)	(30)
Intercompany loans at fair value	b	6,637	(3,230)	3,407
As stated in accordance with FRS 102		**(29,143)**	**(10,550)**	**(39,693)**
Company				
As previously stated under former UK GAAP		(59,933)	141	(59,792)
Intercompany loans at fair value	b	6,637	(3,230)	3,407
As stated in accordance with FRS 102		**(53,296)**	**(3,089)**	**(56,385)**

35 First time adoption of FRS 102 *(continued)*

Explanation of changes to previously reported profit and equity

(a) FRS 102 requires the cost of accumulating compensated absences to be measured and recognised in the financial statements. Section 28 of the standard deals with employee benefits, defined as "all forms of consideration given by an entity in exchange for service rendered by employees, including directors and management". As a result, the group will need to make an accrual to recognise the entitlement for untaken holidays at the balance sheet date to be paid to employees in the next financial year.

(b) FRS 102, section 11 requires that on initial recognition of an instrument which constitutes a financing transaction, (that is not repayable on demand), such as a loan, the measurement is at the present value of future payments, discounted at a market rate for a similar instrument. Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model.

The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. So, for a loan payable which carries a zero coupon or interest at below a market rate, the initial measurement is based on a notional interest cost which is then unwound over the liability's life. As a consequence, the company and group is required to revalue its loan and credit facility agreements with its USA based parent undertaking and fellow group member (see note 27). The discount rate used is in relation to the secured borrowings of the ultimate parent undertaking in the USA. These two agreements expire on 30 June 2015 and 31 December 2015.