

Diamond Resorts (Holdings) Limited

Report and Financial Statements

Year Ended

31 December 2014

Company Number 5071128



Diamond Resorts (Holdings) Limited

Report and financial statements for the year ended 31 December 2014

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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 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

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 £7.3m (2013 - £1.4m loss). The directors do not recommend the payment of a dividend (2013 - £Nil).

Group loss on ordinary activities before taxation increased by £6.4m compared with the prior year. The main factors were as follows:

- (1) There is a £2.6m gross profit reduction in the sales and marketing operation in the UK and the Spanish territories. This decrease was principally attributable to the sales of the fractional holiday ownership product being weaker in the second full year of this offering to the same membership population.
- (2) £0.6m reduced expense as legal and professional fees were lower due to the corporate restructuring project being materially complete.
- (3) £0.7m fall in profitability and revenues from the disposal of unsold stock and third party commissions, the latter is due to a change in the relationship with finance providers (see note 4).
- (4) The net running costs of unoccupied resort accommodation increased by £1.2m, the majority of this uplift is due to lower membership numbers and inflationary pressure on resort costs.
- (5) Losses were £1.7m higher in the Mediterranean sales and marketing business. The major contributing factor is the launch of Diamond's holiday ownership product in this region and the challenges that this created. The gross profit generated from holiday ownership sales being £4.3m lower than the former Aegean Blue membership product sold in the prior year. However, to partly offset, new revenues of £2.6m from prior year cold line sales (new customers buying "preview" holiday packs) could be recognised for the first time as the customers took their first holiday (the revenue recognition rules concerning this are dependent on the holiday reservation).
- (6) £0.5m reduced expense as lower interest was payable to AB Acquisition LLC as an agreement was reached to reduce the interest rate from 18% to 6% (see note 25).
- (7) The group introduced a share option scheme for senior employees and total expenses of £1.4m were recognised (see note 34).

Membership numbers declined again, although at a level within expectation as the sales and marketing operation continued to concentrate 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 Directors are content with the revenues that have yielded from the fractional holiday ownership product; the sales from this product were expected to stabilise after the initial uptake and the drop off in revenues from existing territories is not unexpected. However, the performance of the Mediterranean selling and marketing operation has been disappointing again and corrective action was taken during the year with regard to a change in the senior staff in the sales and marketing operation. Monitoring of this business will continue as its further integration into the group continues.

Diamond Resorts (Holdings) Limited

Strategic report for the year ended 31 December 2014 (*continued*)

Key Performance Indicators

The directors consider 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 7%, contributing factors were as follows:

(1) Sales of full holiday ownership and shorter term timeshare products were £3.4m lower this year. The majority of this decrease can be attributed to two factors; there was a drop in converting existing holiday ownership members to the fractional timeshare product in existing sales locations and also a fall in timeshare sales resulting from the launch of a points related product in the Mediterranean business (see page 1), this being a direct replacement to the former Aegean Blue membership in that region. Accordingly, there was a fall in holiday ownership volumes per guest to £1,791 this year, (2013 - £2,184 (excluding Mediterranean)). Marketing tour-flow targeted at selling holiday ownership was 26% higher across continental Europe at 17,353 tours, (2013 - 13,795 tours), 2,516 tours are attributable to the new launch in the Mediterranean.

(2) Revenues derived from hotel and timeshare resorts managed or owned by the group reduced by £0.6m this year. The majority of this fall can be attributed to lower management fees received as membership numbers declined. Members of the European Collection holiday ownership occupied 390,000 room nights during the year (2013 - 396,000 room nights). This equated to 40% of available accommodation across the portfolio of resorts (2013 - 43% of available accommodation).

Cost of sales decreased by 7%, the majority of this relatively minor change is due to unconnected but offsetting issues.

(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. In addition, the replacement of the Aegean Blue membership with a points product in the Mediterranean also brought new members into the points system from alternate timeshare ownership. As a result, the number of European Collection points sold has increased considerably by 10.3m points to 15.9m (2013 - 5.6m), consequently, the cost of timeshare stock sold (points and Aegean Blue) increased by £0.9m. Also contributing to this increase is the use of more expensive fractional holiday ownership stock that is purchased just in time under agreement with a third party developer based in Bulgaria.

However, the following savings more than offset the above expense:

(2) The directors negotiated a reduction of £0.4m in the cost of exchange company fees that the group is paying to allow European Collection members to access third party accommodation; this is partly due to the decline in membership numbers.

(3) A rebate of £0.3m was obtained from the exchange company after a change in the contractual agreement.

(4) There is a reduction of £0.5m in sales unwinds as a result of the decrease in holiday ownership turnover.

Distribution costs increased by 7%, the majority of which is due to the following reasons:

(1) £1.2m increase in carrying costs of unsold timeshare stock due to the aforementioned reduction in membership numbers and the related contribution that they make to the running costs of group managed resorts and hotels.

(2) £1.5m increase in indirect and direct selling and marketing costs, the majority of which was either for staff salary and commission or tour related expenditure.

Administration expenses were comparable due to unconnected but offsetting issues.

(1) Legal and professional fees were lower by £0.6m due to the winding down of the aforementioned corporate restructuring project. The group previously engaged advice and guidance on the complex local country filing requirements and court representations required to achieve the successful EU cross border merger.

Diamond Resorts (Holdings) Limited

Strategic report for the year ended 31 December 2014 (*continued*)

Key Performance Indicators (*continued*)

Administration expenses (*continued*)

- (2) Depreciation and unrelated asset value write downs were a combined £0.6m lower. The majority of the additional expense in the prior year was related to canal boats that suffered accelerated depreciation after a change to their estimated salvage value and economic life.
- (3) There is a reduction of £0.2m in the irrecoverable vat suffered on inter group trading in the Mediterranean.
- (4) A new share-based remuneration scheme was introduced for senior group employees and an expense of £1.4m was recognised (see note 34).

Other operating income decreased by 6%:

- (1) £0.4m reduction in commission revenues received from the providers of external finance to purchasers of holiday ownership. During the year there was a change in the financing offer to members.
- (2) The income earned from the relationship with preferred rental partners was comparable. These rental partners occupied a similar level of total resort room space compared with the previous year, (as allocated from the developer's portion), being 22% this year, (2013 - 23% of space), equating to 219,000 room nights, (2013 - 216,000 room nights). There was also a slight fall in the average daily rate charged to partners, (2014 - £41 per night, 2013 - £43 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.
- (3) There was a smaller gain of £0.2m from the disposal of surplus timeshare stock and other assets in the Spanish territories.

During the year the number of unsold points in the Diamond Resorts European Collection (the points trust) increased by 8m to 160.4m (2013: 152.4m). 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 the year end is £20.6m (2013 - £20.3m, see note 14).

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in net assets and loss for the year, 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.

Future developments

As reported previously, the group will continue to roll out new membership benefit products and services and 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 Directors to continue to increase the portfolio of affiliate resort and international destinations at no cost to members.

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.

Diamond Resorts (Holdings) Limited

Strategic report
for the year ended 31 December 2014 (*continued*)

Risks and uncertainties (*continued*)

The net liability position reported in the consolidated and company balance sheet 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, created 2 February 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 ultimate parent level in the US, the issued financial performance for the period under review has been extremely 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 29 September 2015

S Crook
Director



Diamond Resorts (Holdings) Limited

Report of the directors for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Directors

The directors who held office during the year and to the date of approval of the financial statements are shown below. All 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 directors do 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 cashflow risk is included in the strategic report.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are 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.

Diamond Resorts (Holdings) Limited

Report of the directors for the year ended 31 December 2014 (*continued*)

Statement of directors' responsibilities (*continued*)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

The current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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

By order of the Board

S Crook
Director



Date 29 September 2015

Diamond Resorts (Holdings) Limited

Independent auditor's report

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 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, 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).

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 directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are 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 2014 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

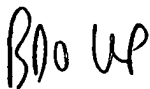
Diamond Resorts (Holdings) Limited

Independent auditor's report (*continued*)

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



*Philip Storer (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom*

Date 30/9/15

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

Diamond Resorts (Holdings) Limited

Consolidated profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	51,415	55,424
Cost of sales		(4,717)	(5,093)
Gross profit		<u>46,698</u>	<u>50,331</u>
Distribution costs		(43,589)	(40,841)
Administration expenses		(20,609)	(20,675)
Other operating income	4	<u>10,177</u>	<u>10,824</u>
Operating loss	3	(7,323)	(361)
Interest receivable	7	862	865
Interest payable	8	(254)	(768)
Loss on ordinary activities before taxation		<u>(6,715)</u>	<u>(264)</u>
Tax on loss on ordinary activities	9	(595)	(1,129)
Loss on ordinary activities after taxation		<u>(7,310)</u>	<u>(1,393)</u>

The results disclosed above all relate to continuing operations.

The notes on pages 14 to 35 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated statement of total recognised gains and losses for the year ended 31 December 2014

	2014 £'000	2013 £'000
Loss for the financial year	(7,310)	(1,393)
Capital contribution - Share-based payments	1,368	-
Exchange differences on retranslation of foreign undertakings	(455)	257
	<hr/>	<hr/>
Total recognised losses for the year	(6,397)	(1,136)
	<hr/>	<hr/>

The notes on pages 14 to 35 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated balance sheet as at 31 December 2014

Company number 5071128	Note	2014 £'000	2014 £'000	Restated 2013* £'000	2013 £'000
Fixed assets					
Intangible assets	11		2,484		4,040
Tangible assets	12		3,568		2,833
			<hr/>		<hr/>
			6,052		6,873
Current assets					
Stocks	14	36,026		34,064	
Debtors:					
Amounts falling due within one year	15	48,455		48,206	
Amounts falling due after one year	15	519		581	
Cash at bank and in hand	16	44,346		49,260	
		<hr/>		<hr/>	
		129,346		132,111	
Creditors: amounts falling due within one year	17	(99,900)		(98,993)	
		<hr/>		<hr/>	
Net current assets			29,446		33,118
Total assets less current liabilities			<hr/>		<hr/>
			35,498		39,991
Creditors: amounts falling due after more than one year	18		(74,190)		(72,279)
Provisions for liabilities and charges	19		(3,465)		(3,472)
			<hr/>		<hr/>
Net liabilities			(42,157)		(35,760)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	21		49,000		49,000
Profit and loss account	22		(37,448)		(31,051)
Capital reserve	22		500		500
Merger reserve	22		(54,209)		(54,209)
			<hr/>		<hr/>
Equity shareholders' deficit	23		(42,157)		(35,760)
			<hr/>		<hr/>

*The restatement in relation to the year ended 31 December 2013 is explained in note 1.

The financial statements were approved by the Board and authorised for issue on 29 September 2015

S Crook
Director



The notes on pages 14 to 35 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Company balance sheet
as at 31 December 2014

Company number 5071128	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Investments	13		4,833		4,833
Current assets					
Debtors	15	7,772		6,271	
Creditors: amounts falling due within one year	17	(3,661)		(3,660)	
Net current assets			4,111		2,611
Total assets less current liabilities			8,944		7,444
Creditors : amounts falling due after more than one year	18		(68,736)		(67,377)
Net liabilities			(59,792)		(59,933)
Capital and reserves					
Called up share capital	21		49,000		49,000
Profit and loss account	22		(108,792)		(108,933)
Equity shareholders' deficit	23		(59,792)		(59,933)

The financial statements were approved by the Board and authorised for issue on 29 September 2015

S Crook
Director



The notes on pages 14 to 35 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Consolidated cash flow statement for the year ended 31 December 2014

	Note	2014 £'000	2014 £'000	2013 £'000	Restated 2013* £'000
Net cash (outflow)/inflow from operating activities	26		(2,391)		11,821
Returns on investments and servicing of finance					
Interest paid		(10)		-	
Interest received		862		865	
Interest on finance leases		(1)		(1)	
Net cash inflow from returns on investments and servicing of finance			851		864
Taxation			(1,242)		(1,123)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,463)		(668)	
Net cash outflow from capital expenditure and financial investment			(1,463)		(668)
Cash (outflow)/inflow before financing			(4,245)		10,894
Management of liquid resources					
Decrease/(Increase) in short term deposits			40		(77)
Financing					
Capital element of hire purchase contracts			(3)		(3)
(Decrease)/ Increase in cash	27		(4,208)		10,814

*The restatement in relation to the year ended 31 December 2013 is explained in note 1.

The notes on pages 14 to 35 form part of these financial statements.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in net assets and loss for the year, 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 balance sheet has been restated to ensure consistency with the current period and certain balances have been reclassified within the statement to correctly reflect their underlying nature. The group recognises purchase consideration on sales of holiday ownership, (see Turnover section below) that is paid initially into bank accounts that are controlled by the trustee of the points club. This consideration is transferred by the trustees into a Diamond bank account when the sale is outside of a cooling off period under EU timeshare legislation. The directors now consider that any such consideration held in these trustee bank accounts at the period end should be a trade debtor rather than cash at bank, as such funds are not accessible on demand or within a notice period that is not more than 24 hours. As a result, £1,183,000 has been transferred from cash at bank and in hand to trade debtors receivable within one year.

Basis of consolidation

The group financial statements consolidate the accounts of Diamond Resorts (Holdings) Limited and all of its subsidiary undertakings (see note 31) drawn up to 31 December 2014. The consolidation of subsidiaries has been accounted for using the acquisition method of accounting.

Turnover

Turnover consists of 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 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.

Additionally resort management and maintenance fees are recognised over the period during which the services are provided.

Where a group 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.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (*continued*)

1 Accounting policies (*continued*)

Other operating income

Other operating income consists primarily of rental revenues derived from surplus holiday accommodation not utilised by the group's sales and marketing operation.

Also included are 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.

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 profit and loss account over the directors' estimate of its useful economic life up to a maximum of 20 years. 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.
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Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Stock (continued)

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 balance sheet date. 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.

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 profit and loss account over the year of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account 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 balance sheet date are reported at the rates of exchange prevailing at that date, and the gains or losses on transactions are included in the profit and loss account.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (*continued*)

1 Accounting policies (*continued*)

Foreign currency (continued)

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets at the rates ruling at the balance sheet 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 balance sheet date are taken directly to reserves.

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 profit and loss account 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 profit and loss account and the net surpluses and deficits included in the net liability on behalf of club members.

2 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 directors considered such a disclosure to be seriously prejudicial to the interest of the group.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

3 Operating loss

The operating loss is stated after charging/(crediting):	2014 £'000	2013 £'000
Depreciation:		
- owned assets	582	881
- assets held under finance leases and hire purchase contracts	4	3
Amortisation of intangible fixed assets	641	663
Impairment of intangible fixed assets	683	-
Auditors' and associates of group's auditors:		
-fees payable for the auditing of the group's annual accounts	268	262
-fees payable for the auditing of non-statutory club accounts	65	65
Operating lease rentals:		
- land and buildings	996	1,067
- other	99	91
Loss on disposal of tangible fixed assets	20	41
Profit on disposal of other assets in Mainland Spain	(319)	(227)
Profit on disposal of non points stock in the Balearic Islands	(94)	(411)
Share-based payments	1,368	-
	<u> </u>	<u> </u>

4 Other operating income

	2014 £'000	2013 £'000
Commission and fees received	626	1,025
Rental income	9,075	9,110
Sundry income	63	51
Profit on disposal of other assets in Mainland Spain	319	227
Profit on disposal of non points stock in the Balearic Islands	94	411
	<u> </u>	<u> </u>
	10,177	10,824
	<u> </u>	<u> </u>

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

5 Employees

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Staff costs for the year were as follows:				
Wages and salaries	20,758	20,962	-	-
Social security costs	3,470	2,801	-	-
Pension costs	57	24	-	-
	<u>24,285</u>	<u>23,787</u>	<u>-</u>	<u>-</u>
The average number of employees during the year was:	Number	Number	Number	Number
Sales and marketing	416	381	-	-
Finance and administration	246	228	-	-
	<u>662</u>	<u>609</u>	<u>-</u>	<u>-</u>

6 Directors' remuneration

	2014 £'000	2013 £'000
<i>Remuneration in respect of directors was as follows:</i>		
Emoluments and benefits in kind	<u>182</u>	<u>160</u>

During the year the company did not contribute to private pension plans of any directors (2013 - no directors).

7 Interest receivable

	2014 £'000	2013 £'000
Other interest	54	67
Bank interest	42	44
Maintenance fee finance interest	766	754
	<u>862</u>	<u>865</u>

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

8 Interest payable

	2014 £'000	2013 £'000
Interest payable to group undertakings	253	767
Finance leases and hire purchase contracts	1	1
	<u>254</u>	<u>768</u>

9 Tax on loss on ordinary activities

	2014 £'000	2013 £'000
The tax charge represents:		
- UK corporation tax at 21.5% (2013 - 23.3%)	-	-
- Overseas	1,219	1,195
- Adjustment in respect of prior years	(405)	(66)
	<u>814</u>	<u>1,129</u>
Deferred tax	(219)	-
	<u>595</u>	<u>1,129</u>

Factors affecting the tax charge for the year

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

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	(6,715)	(264)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.3%)	(1,443)	(62)
Effect of:		
Expenses not allowed as tax deductions	3,023	15
Difference in tax rates on overseas earnings	(4)	966
Trade losses utilised	(1,913)	(268)
Losses carried forward not recognised as deferred tax asset	1,493	621
Other timing differences	63	(77)
Adjustment in respect of prior years	(405)	(66)
Current tax charge for the year	<u>814</u>	<u>1,129</u>

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (*continued*)

10 Loss for the financial year

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The company's profit for the financial year was £141,000 (2013 - £302,000). See note 23.

11 Intangible fixed assets

Group	Purchased goodwill £'000	Management contracts £'000	Total £'000
<i>Cost</i>			
At 1 January 2014	6,783	148	6,931
Foreign exchange	(262)	(10)	(272)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	6,521	138	6,659
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 January 2014	2,820	71	2,891
Impairment	683	-	683
Provided in the year	635	6	641
Foreign exchange	(36)	(4)	(40)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	4,102	73	4,175
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2014	2,419	65	2,484
	<hr/>	<hr/>	<hr/>
At 31 December 2013	3,963	77	4,040
	<hr/>	<hr/>	<hr/>

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 directors' best estimate of their useful economic lives.

The impairment during the period relates to Aegean Blue Holdings Limited. This is the result of a change in the expected consideration to be paid in accordance with the Earn out deed; there is a discussion of this agreement in note 25.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

12 Tangible fixed assets

Group	Freehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 January 2014	3,307	4,913	294	8,514
Additions	941	542	-	1,483
Disposals	(3)	(529)	(20)	(552)
Foreign exchange	(180)	(195)	(7)	(382)
	<u>4,065</u>	<u>4,731</u>	<u>267</u>	<u>9,063</u>
<i>Depreciation</i>				
At 1 January 2014	1,650	3,750	281	5,681
Provided in the year	201	381	4	586
Disposals	(3)	(509)	(20)	(532)
Foreign exchange	(83)	(143)	(14)	(240)
	<u>1,765</u>	<u>3,479</u>	<u>251</u>	<u>5,495</u>
<i>Net book value</i>				
At 31 December 2014	<u>2,300</u>	<u>1,252</u>	<u>16</u>	<u>3,568</u>
At 31 December 2013	<u>1,657</u>	<u>1,163</u>	<u>13</u>	<u>2,833</u>

The net book value of assets held under finance leases at 31 December 2014 amounted to £5,000 (2013 - £9,000). Depreciation charged on these assets in the year amounted to £4,000 (2013: £3,000).

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 £203,000 (2013 - £172,000) Depreciation charged on these assets in the year amounted to £24,000 (2013 - £25,000) 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.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

13 Investments

	Group £'000	Company £'000
<i>Cost</i>		
At 1 January 2014 and 31 December 2014	-	96,843
<i>Accumulated impairment charge</i>		
At 1 January 2014 and 31 December 2014	-	92,010
<i>Net book value</i>		
At 31 December 2014	-	4,833
At 31 December 2013	-	4,833

Significant subsidiary undertakings as at 31 December 2014 are shown in note 31.

14 Stocks

	Group 2014 £'000	Group 2013 £'000
Timeshare points in trust	20,621	20,313
Timeshare weeks in trust	3,112	1,993
Other non-points trading stock	12,073	11,551
Consumables	220	207
	36,026	34,064

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

15 Debtors

	Group 2014 £'000	Restated Group* 2013 £'000	Company 2014 £'000	Company 2013 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	4,159	4,919	-	-
Corporation tax	44	-	-	-
Deferred tax	217	-	-	-
Club maintenance fee debtors	36,767	37,505	-	-
Other debtors	1,770	2,033	-	-
Amounts owed by group companies	-	-	7,772	6,271
Prepayments and accrued income	3,004	2,598	-	-
Taxation and social security	2,494	1,151	-	-
	<u>48,455</u>	<u>48,206</u>	<u>7,772</u>	<u>6,271</u>

*The restatement in relation to the year ended 31 December 2013 is explained in note 1.
The amounts due on Club maintenance fee debtors are payable on demand.

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
<i>Amounts falling due after more than one year:</i>				
Trade debtors	519	581	-	-
	<u>519</u>	<u>581</u>	<u>-</u>	<u>-</u>

16 Cash at bank and in hand - group

Cash at bank and in hand includes restricted cash balances of £31,876,000 (2013 - £39,259,000) held on behalf of the Resort Club members. None of the restricted cash amounts held are available for use by the group.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

17 Creditors: amounts falling due within one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank overdrafts	12	8	-	-
Obligations under finance leases (note 18)	3	3	-	-
Trade creditors	3,694	3,649	-	-
Corporation tax	-	387	-	-
Other taxation and social security	9,409	5,760	-	-
Other creditors	614	814	-	-
Amounts owed on behalf of club members	66,158	67,906	-	-
Amounts owed to group undertakings	-	-	3,661	3,660
Accruals and deferred income	20,010	20,466	-	-
	<u>99,900</u>	<u>98,993</u>	<u>3,661</u>	<u>3,660</u>

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

18 Creditors: amounts falling due after more than one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Loan from parent company	65,365	65,365	65,365	65,365
Amounts owed to parent company	3,371	2,012	3,371	2,012
Loan from fellow group company	5,452	4,897	-	-
Obligations under finance leases	2	5	-	-
	<u>74,190</u>	<u>72,279</u>	<u>68,736</u>	<u>67,377</u>

Details of the loan from parent company and fellow group company based in the United States of America are given in note 25.

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

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	70,817	2	70,819
	<u>70,829</u>	<u>5</u>	<u>70,834</u>

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

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

Group	Loans and overdrafts 2013 £'000	Finance leases 2013 £'000	Total 2013 £'000
In one year or less, or on demand	8	3	11
In more than one year but not more than five years	70,262	5	70,267
	<u>70,270</u>	<u>8</u>	<u>70,278</u>

19 Provisions for liabilities and charges

	Note	At 1 January 2014 £'000	Additions £'000	Amounts used £'000	At 31 December 2014 £'000
Sales and marketing	(1)	1,133	2,489	(2,426)	1,196
Overseas taxes	(2)	789	-	(461)	328
Maintenance and repairs	(3)	1,305	550	-	1,855
UK taxes	(4)	86	-	-	86
Vacant Properties	(5)	159	-	(159)	-
		<u>3,472</u>	<u>3,039</u>	<u>(3,046)</u>	<u>3,465</u>

- (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) This provision relates to additional UK taxes that the directors feel could be payable.
- (5) The group previously recognised future costs arising from a leased property in Salford that was vacant. During the period an agreement was reached with the property owner to terminate the lease.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

20 Deferred taxation

The company has an unrecognised deferred tax asset of £3.4m, (2013 - £3.5m, restated following a change in the tax rate used) representing unutilised tax losses carried forward. The group has an unrecognised deferred tax asset of £19.1m (2013 - £19.3m, restated) for the same category. These assets have not been recognised due to the uncertain timing of future tax recoverability.

21 Share capital

	2014 £'000	2013 £'000
<i>Allotted, called up and fully paid</i>		
48,999,450 Ordinary shares of £1 each	49,000	49,000

22 Profit and loss account and reserves

Group	Merger reserve 2014 £'000	Capital reserve 2014 £'000	Profit and loss reserve 2014 £'000
At 1 January 2014	(54,209)	500	(31,051)
Loss for the financial year	-	-	(7,310)
Capital contribution – share-based payments	-	-	1,368
Foreign exchange differences	-	-	(455)
At 31 December 2014	(54,209)	500	(37,448)

Company	2014 £'000
At 1 January 2014	(108,933)
Profit for the financial year	141
At 31 December 2014	(108,792)

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

23 Reconciliation of movements in shareholders' deficit

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
(Loss)/ profit for the financial year	(7,310)	(1,393)	141	302
Capital contribution – share-based payments	1,368	-	-	-
Foreign exchange differences	(455)	257	-	-
Net movement in shareholders' funds	(6,397)	(1,136)	141	302
Opening shareholders' deficit	(35,760)	(34,624)	(59,933)	(60,235)
Closing shareholders' deficit	(42,157)	(35,760)	(59,792)	(59,933)

24 Commitments under operating leases

As at 31 December 2014, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £'000	Land and buildings 2013 £'000	Other 2014 £'000	Other 2013 £'000
Within one year	72	50	7	4
In two to five years	654	946	88	95
After five years	440	-	-	-
	1,166	996	95	99

25 Related party transactions

- (1) The company has entered into credit facility agreements with its parent undertaking, Diamond Resorts Corporation. The balance owed at 31 December 2014 was £65,365,000 (2013 - £65,365,000). Under this revolving credit agreement the outstanding principal and interest unpaid is due and repayable. However, the directors have obtained confirmation that the principal will not actually be repayable on demand and no interest is to be chargeable on this loan for a period of three years, beginning 1 January 2013.

In addition, the company has a trading account balance with its parent to fund working capital requirements. The balance owed at 31 December 2014 was £3,371,000 (2013 - £2,012,000).

- (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 within twelve months. However, the directors have reached agreement with the fellow group member to extend repayment beyond this period with no definitive settlement date. The percentage rate of interest chargeable on the loan is 6% per annum (2013 – 18% per annum). The balance owed at 31 December 2014 was £5,452,000 (2013 - £4,897,000).

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

25 Related party transactions (continued)

- (3) On 5 October 2013 the Group completed the acquisition of the Cypriot and Greek based sales and marketing business, Aegean Blue Holdings Limited. As part of the total consideration the Group agreed to pay an additional purchase price of £2,294,000 in accordance with an agreed Earn out Deed. Payments under this agreement will be made to the Earn out Sellers dependent upon the financial performance of the acquired business over a period of five financial years up to 31 December 2017. The Earn out Sellers are and shall continue to be involved in the business and provide benefit to the Group.

On 17 June 2015 the Group reached agreement with the Earn out Sellers to terminate and replace the above Deed with an additional purchase price agreement for the shares of Aegean Blue Holdings Limited and on 1 July 2015 paid £1,474,000 to settle this agreement. The reduction of £820,000 since acquisition is due to a combination of financial performance impairment and foreign exchange movement on these Euro currency denominated agreements.

The company has taken advantage of the exemption included in FRS 8 and has not disclosed further transactions with other wholly owned members of the group headed by Diamond Resorts International Inc.

26 Reconciliation of operating loss to net cash outflow from operating activities

	2014 £000	Restated 2013* £000
Group operating loss	(7,323)	(361)
Loss on disposal of tangible fixed assets	20	41
Depreciation, amortisation and impairment of fixed assets	1,910	1,547
Share-based payments	1,368	-
(Increase) in stocks	(2,375)	(4,300)
(Increase)/ decrease in debtors	(304)	3,428
Increase in creditors	4,291	11,126
Increase in provisions	22	340
Net cash (outflow)/ inflow from operating activities	(2,391)	11,821

The above movement in debtors and creditors includes 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 inflow from operating activities can be allocated between funds available for use by the group and restricted cash amounts held on behalf of the club members as follows:

	2014 £000	Restated 2013* £000
Net cash inflow available for use by the group	4,549	4,149
Net cash outflow/ (inflow) held on behalf of the club members	(6,940)	7,672
Net cash (outflow)/ inflow from operating activities	(2,391)	11,821

*The restatement in relation to the year ended 31 December 2013 is explained in note 1.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

27 Reconciliation of net cash flow to movement in net debt

	2014 £000	Restated 2013* £000
(Decrease)/ increase in cash in the year	(4,208)	10,814
Cash (outflow)/ inflow from change in liquid resources	(40)	77
Cash inflow from change in debt	3	3
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(4,245)	10,894
Currency and other non cash movements	(1,265)	(657)
	<hr/>	<hr/>
Movement in net debt in the year	(5,510)	10,237
Net debt at start of year	(20,657)	(30,894)
	<hr/>	<hr/>
Net debt at end of year	(26,167)	(20,657)
	<hr/>	<hr/>

*The restatement in relation to the year ended 31 December 2013 is explained in note 1.

28 Analysis of debt

	Restated* At 1 January 2014 £'000	Cash flow £'000	Other non cash changes £'000	Foreign exchange £'000	At 31 December 2014 £'000
Cash at bank and in hand	49,260	(4,204)	-	(710)	44,346
Bank loans and overdrafts repayable on demand	(8)	(4)	-	-	(12)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net cash	49,252	(4,208)	-	(710)	44,334
Liquid resources	361	(40)	-	-	321
Obligations under finance lease	(8)	3	-	-	(5)
Loans from parent and group company	(70,262)	-	(555)	-	(70,817)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	(20,657)	(4,245)	(555)	(710)	(26,167)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

*The restatement in relation to the year ended 31 December 2013 is explained in note 1.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

29 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 19).
- (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. In the event that the appeal is lost, the total cost of settling these assessments is estimated to be £450,000 (2013 - £450,000).
- (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.

30 Ultimate parent undertaking

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

The only group of which Diamond Resorts (Holdings) Limited is a member and for which group accounts are drawn up is that headed by Diamond Resorts International Inc, whose 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.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

31 Subsidiary undertakings

The group headed by the company had the following subsidiary undertakings as at 31 December 2014.

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	Cyprus	Ordinary	100%
Club Resorts MEPE	Greece	Ordinary	100%
Resort Management Services SL	Spain	Ordinary	99.8%
LS International Resort Management Limited	England	Ordinary	100%
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%

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

31 Subsidiary undertakings (*continued*)

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 Connelles	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.

32 Capital commitments

There were no capital commitments at 31 December 2014 or 31 December 2013.

33 Financial commitments

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 (2013 - £65,365,000). The debenture provides a fixed and floating charge over the undertaking and all the assets of the company.

Diamond Resorts (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

34 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.

	2014 Weighted average exercise price (USD - cents)	2014 Number	2013 Weighted average exercise price (USD - cents)	2013 Number
Outstanding at the beginning of year	1,400	172,800	-	-
Granted during the year	1,860	115,000	1,400	172,800
Forfeited during the year	-	-	-	-
Exercised during the year	1,440	(42,750)	-	-
Expired during the year	-	-	-	-
	<u>1,610</u>	<u>245,050</u>	<u>1,400</u>	<u>172,800</u>
Outstanding at the end of the year	1,610	245,050	1,400	172,800

The exercise price of options outstanding at the end of the year ranged between 1,400 USD cents and 1,860 USD cents (2013 – 1,400 USD cents) and their weighted average contractual life was 8.8 years (2013 – 9.6 years).

Of the total number of options outstanding at the end of the year, 72,400 (2013 – 172,800) had vested and were exercisable at the end of the year.

The weighted average share price during the year was estimated to be 2,312 USD cents (2013 – none exercised) at the date of exercise of options.

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.

	2014	2013
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (USD - cents)	1,860	1,400
Exercise price (USD - cents)	1,860	1,400
Weighted average contractual life (years)	10	10
Expected volatility	52.8%	52.9%
Risk-free interest rate	3.2%	3.0%
Expected dividend growth rate	0%	0%

Diamond Resorts (Holdings) Limited

**Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)**

34 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 £1,368,000 (2013 -£nil) 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.