

THE ALMANZORA GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 1995



CLARK WHITEHILL
Chartered Accountants

25 New Street Square London EC4A 3LN
Telephone 0171-353 1577 Facsimile 0171-583 1720
DX 0014 London Chancery Lane
A member of Horwath International



THE ALMANZORA GROUP LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 1995

The directors present their report and financial statements for the year ended 31 March 1995.

REVIEW OF ACTIVITIES

The principal activity of the company is the marketing and sales as commission agents of property. In particular, the company markets property on three major, and a number of minor, residential and touristic developments in Spain. The major projects, comprising more than 6,000 dwellings plus ancillary premises over 15 or more years, were initiated in 1989 but were delayed by planning and market difficulties, resulting in a lack of supply of the properties that the company had anticipated marketing and selling and giving rise to continuing losses to the company. In 1993, the company ceased its activity of holiday sales on these projects in order to reduce ongoing costs. However, in the current year the planning authorities and developers have made further progress in resolving their difficulties to the extent that the company should be able to commence marketing and sales on at least one of the major projects in 1996. On this basis the directors consider the prospects for the company to remain substantial and to have considerably improved over the year.

RESULTS

The financial statements for the year ended 31 March 1995 show a loss after taxation of £19,229 which has been withdrawn from reserves. The directors do not recommend the payment of a dividend.

DIRECTORS

The following have served as directors during the year:

S R Hitchins
J R Hitchins
A Underhill
P J Goodhall

None of the directors had any interest in the share capital of the company or any other company in the group.

THE ALMANZORA GROUP LIMITED
DIRECTORS REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

AUDITORS

The auditors, Clark Whitehill, have intimated their willingness to continue in office and a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By Order of the Board



Secretary

25 New Street Square
London EC4A 3LN



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REPORT OF THE AUDITORS

TO THE MEMBERS OF THE ALMANZORA GROUP LIMITED

A member of Horwath International



We have audited the financial statements on pages 4 to 8 which have been prepared under the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

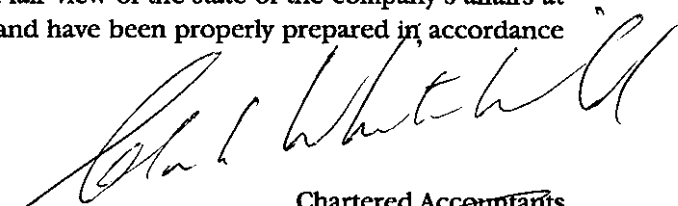
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Unqualified Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 March 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
and Registered Auditor

15th Dec 1995

THE ALMANZORA GROUP LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995

	Notes	1995 £	1994 £
TURNOVER		14,988	16,786
Cost of Sales		<u>34,459</u>	<u>35,602</u>
GROSS LOSS		(19,471)	(18,816)
Administrative expenses		<u>78,834</u>	<u>97,198</u>
OPERATING LOSS		98,305	116,014
Interest receivable	2	<u>69,604</u>	<u>63,063</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	28,701	52,951
Tax on loss on ordinary activities	4	<u>(9,472)</u>	<u>(17,268)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		19,229	35,683
DEFICIT BROUGHT FORWARD		<u>150,958</u>	<u>115,275</u>
DEFICIT CARRIED FORWARD		<u>170,187</u>	<u>150,958</u>

The Profit and Loss Account contains all the gains and losses recognised in the current and preceding year and the loss after taxation in these years is the only movement on shareholders' funds.

The notes on pages 6 to 8 form
an integral part of these financial statements.

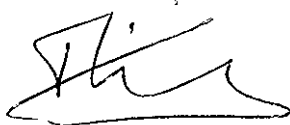
THE ALMANZORA GROUP LIMITED

BALANCE SHEET

31 MARCH 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible fixed assets	5	3,989	6,402
CURRENT ASSETS			
Other debtors		245,088	212,596
Amount owed by group undertakings		598,946	764,519
Cash at bank		6,909	12,885
		<u>850,943</u>	<u>990,000</u>
CREDITORS: amounts falling due within one year			
Trade creditors		4,711	2,479
Amount owed to group undertakings		685,322	817,994
Other creditors and accruals		2,700	4,102
Taxation and social security		3,228	3,182
		<u>695,961</u>	<u>827,757</u>
NET CURRENT ASSETS		<u>154,982</u>	<u>162,243</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		158,971	168,645
PROVISION FOR LIABILITIES AND CHARGES	6	<u>79,158</u>	<u>69,603</u>
NET ASSETS		<u>79,813</u>	<u>99,042</u>
CAPITAL AND RESERVES			
Called up share capital	7	250,000	250,000
Profit and loss account - Deficit		<u>170,187</u>	<u>150,958</u>
SHAREHOLDERS' FUNDS		<u>79,813</u>	<u>99,042</u>

Approved by the Board on 5.12.95
and signed on its behalf by:



} Directors

The notes on pages 6 to 8 form
an integral part of these financial statements.

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 1995

1. ACCOUNTING POLICIES

a) Basis of Accounting

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

b) Turnover

Turnover represents the income earned during the year net of VAT.

c) Tangible Fixed Assets

Tangible fixed assets are depreciated over their anticipated useful lives on a straight line basis at the following rates:

Fixtures, fittings and office equipment - 15% per annum

(d) Deferred Taxation

Provision is made for corporation tax deferred by timing differences which could be payable within the foreseeable future.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1995	1994
	£	£
This is arrived at after charging:		
Auditors' remuneration	2,000	2,250
Directors' remuneration		
- Emoluments	29,689	40,940
- Pensions costs	1,566	1,375
Depreciation-	2,414	2,414
	<hr/>	<hr/>
and after crediting:		
Interest receivable from group undertaking	69,604	63,063
	<hr/>	<hr/>

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 1995

3. EMPLOYEE INFORMATION

a) Staff Costs and Numbers

The average number of persons (including directors) employed by the company during the year was 4 (1994 - 4), employed in sales, marketing and administration.

	1995 £	1994 £
Aggregate gross salaries	93,073	92,926
Social security costs	9,459	9,169
Pension costs	5,606	1,375
	<u>108,138</u>	<u>103,470</u>

b) Directors' Emoluments Excluding Pension Costs

Chairman and highest paid director	<u>25,000</u>	<u>25,000</u>
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	No.	No.
The emoluments of the directors fell in the following ranges:		
£Nil	2	2
£Nil - £5,000	1	-
£10,001 - £15,000	-	1
£20,001 - £25,000	1	1
	<u>4</u>	<u>4</u>

4. TAXATION

	£	£
The taxation based on the results on ordinary activities comprises:		
Compensation received on surrender of tax losses to group companies	19,027	38,068
Deferred taxation	<u>(9,555)</u>	<u>(20,800)</u>
	<u>9,472</u>	<u>17,268</u>

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 1995

5. TANGIBLE FIXED ASSETS	Fixtures, fittings and office equipment £
Cost	
At 1 April 1994	<u>16,096</u>
At 31 March 1995	<u>16,096</u>
Depreciation	
At 1 April 1994	9,693
Charge for the year	<u>2,414</u>
At 31 March 1995	<u>12,107</u>
Net Book values	
31 March 1995	<u>3,989</u>
<i>31 March 1994</i>	<i><u>6,402</u></i>

6. PROVISION FOR LIABILITIES AND CHARGES	1995	1994
	£	£
Deferred taxation on short term timing differences at 33%	<u>79,158</u>	<u>69,603</u>

7. CALLED UP SHARE CAPITAL		
Authorised, allotted and fully paid		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

8. ULTIMATE HOLDING COMPANY

The ultimate Holding Company is Bay Holdings Limited, incorporated in Bermuda.