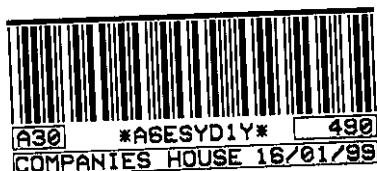


COMPANY NUMBER: 1800291

THE ALMANZORA GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 1998



HORWATH
CLARK WHITEHILL

Chartered Accountants

A member of Horwath International

25 New Street Square London EC4A 3LN
Telephone: 0171 353 1577 Facsimile: 0171 583 1720
www.horwathcw.com
DX 0014 London Chancery Lane



THE ALMANZORA GROUP LIMITED
DIRECTORS REPORT
YEAR ENDED 31 MARCH 1998

The directors present their report and financial statements for the year ended 31 March 1998.

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 losses to the company.

The company continues its property sales activities and due to an continuing improving overseas property market achieved more sales commission during the year of account. Sales and commission income have continued to improve since the year end.

RESULTS

The financial statements for the year ended 31 March 1998 show a profit after taxation of £21,647 (1997 loss £11,586) which has been added to 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.

YEAR 2000

The directors have assessed the risk that the company's business and operations will be adversely affected by what is known as the Year 2000 problem. They have identified, as the primary areas of risk, the company's own computer systems and equipment and to a lesser extent, problems encountered by the company's suppliers. The directors have concluded that there is no material risk associated with Year 2000 compliance.

THE ALMANZORA GROUP LIMITED
DIRECTORS REPORT (Continued)
YEAR ENDED 31 MARCH 1998

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

During the year the auditors changed their name to Horwath Clark Whitehill and have signed their audit report in their new name.

The auditors, Horwath 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

**HORWATH
CLARK WHITEHILL**

Chartered Accountants

A member of Horwath International

25 New Street Square
London
EC4A 3LN

Telephone: 0171 353 1577

Facsimile: 0171 583 1720

www.horwathcw.com

DX 0014 London Chancery Lane

**REPORT OF THE AUDITORS
TO THE MEMBERS OF THE ALMANZORA GROUP LIMITED**



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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

Chartered Accountants
and Registered Auditors

18 December 1998

THE ALMANZORA GROUP LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1998

	Notes	1998 £	1997 £
TURNOVER	1(b)	49,668	4,432
Cost of Sales		<u>30,664</u>	<u>17,588</u>
GROSS PROFIT/(LOSS)		19,004	(13,156)
Administrative expenses		<u>74,665</u>	<u>72,125</u>
OPERATING LOSS		(55,661)	(85,281)
Interest receivable		<u>82,232</u>	<u>68,333</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	26,571	(16,948)
Tax on profit/(loss) on ordinary activities	4	<u>4,924</u>	<u>(5,362)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		21,647	(11,586)
DEFICIT BROUGHT FORWARD		<u>(202,013)</u>	<u>(190,427)</u>
DEFICIT CARRIED FORWARD		<u>(180,366)</u>	<u>(202,013)</u>

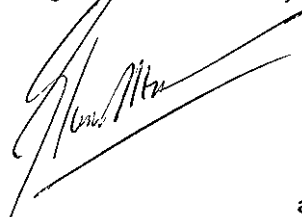
The Profit and Loss Account contains all the gains and losses recognised in the current and preceding year and the profit/(loss) after taxation in these years is the only movement on shareholders' funds.

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

THE ALMANZORA GROUP LIMITED
BALANCE SHEET
31 MARCH 1998

	Notes	£	1998 £	1997 £
FIXED ASSETS				
Tangible fixed assets	5		7,054	8,857
CURRENT ASSETS				
Other debtors		459,430		378,510
Amount owed by group undertaking		602,014		589,191
Cash at bank		42,055		2,277
		<u>1,103,499</u>		<u>969,978</u>
CREDITORS: amounts falling due within one year				
Trade creditors		-		753
Amount owed to group undertakings		995,323		888,263
Corporation tax		8,141		-
Other creditors and accruals		2,600		2,858
Taxation and social security		2,683		3,585
		<u>1,008,747</u>		<u>895,459</u>
NET CURRENT ASSETS			<u>94,752</u>	<u>74,519</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>101,806</u>	<u>83,376</u>
PROVISION FOR LIABILITIES AND CHARGES	6		<u>32,172</u>	<u>35,389</u>
NET ASSETS			<u>69,634</u>	<u>47,987</u>
CAPITAL AND RESERVES				
Called up share capital	7		250,000	250,000
Profit and loss account - Deficit			<u>(180,366)</u>	<u>(202,013)</u>
SHAREHOLDERS' FUNDS			<u>69,634</u>	<u>47,987</u>

Approved by the Board on 18 December 1998
and signed on its behalf by:



} Director

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 1998

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
Motor vehicles	- 25% per annum

(d) Deferred Taxation

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

(e) Pension Costs

Pension costs are charged to the profit and loss account to spread the costs over the average remaining service lives of employees.

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1998	1997
	£	£
This is arrived at after charging:		
Auditors' remuneration	2,100	2,000
Directors' remuneration		
- Emoluments	33,150	32,664
- Pensions costs	1,065	541
Depreciation	5,320	5,997
	<u>82,232</u>	<u>68,333</u>
and after crediting:		
Interest receivable from group undertaking	82,232	68,333

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 1998

3. EMPLOYEE INFORMATION

a) Staff Costs and Numbers

The average number of persons (including directors) employed by the company during the year was 4 (1997 - 4), employed in sales, marketing and administration.

	1998 £	1997 £
Aggregate gross salaries	101,284	97,276
Social security costs	10,128	9,922
Pension costs	8,070	7,368
	<u>119,482</u>	<u>114,566</u>

b) Directors

The number of directors accruing benefits under pension schemes are as follows:

	No.	No.
Defined benefit pension schemes	<u>2</u>	<u>2</u>
Defined contribution pension schemes	<u>2</u>	<u>2</u>

- c) Employees are members of The Robert Hitchins Group Pension Scheme, a defined benefit scheme for employees of The Almanzora Group Limited. Contributions to the scheme are determined by qualified actuaries on the basis of financial valuations. The last actuarial valuation was at 1 June 1997 further details of which are set out in the financial statements of The Robert Hitchins Group Limited.
- d) Some of the directors are members of The Robert Hitchins Group Executive Pension Scheme, a defined benefit scheme. At the last triennial valuation the scheme was in surplus. The valuation at 1 April 1998 is being prepared.

4. TAXATION

	£	£
Corporation tax	8,141	-
Compensation received on surrender of tax losses to group companies	-	(5,362)
Deferred taxation	<u>(3,217)</u>	<u>-</u>
	<u>4,924</u>	<u>(5,362)</u>

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 1998

5. TANGIBLE FIXED ASSETS

	Total £	Fixtures, fittings and office equipment £	Motor Vehicle £
Cost			
At 1 April 1997	25,047	7,341	17,706
Additions	3,500	-	3,500
Disposals	(1)	-	(1)
At 31 March 1998	28,546	7,341	21,205
Depreciation			
At 1 April 1997	16,190	7,338	8,852
Charge for the year	5,302	-	5,302
At 31 March 1998	21,492	7,338	14,154
Net Book values			
31 March 1998	7,054	3	7,051
<i>31 March 1997</i>	<i>8,857</i>	<i>3</i>	<i>8,854</i>

6. PROVISION FOR LIABILITIES AND CHARGES

	1998 £	1997 £
Deferred taxation on short term timing differences at 30% (1997 33%)	<u>32,172</u>	<u>35,389</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.

9. RELATED PARTY TRANSACTIONS

The company transacts business with its immediate parent company The Robert Hitchens Group Limited and its other subsidiary companies. These transactions are not disclosed as they are eliminated in the consolidated financial statements of that company.

The company acts as an agent for Bay Holland Bv, a fellow subsidiary company. During the year the company received commission of £49,668 (1997: £4,432) from that company, made a loan of £12,823 (1997: £3,429) and accrued interest of £82,232 (1997: £68,333) on the loan outstanding. At 31 March 1998 the loan outstanding amounted to £602,014 (1997: £589,191) and interest receivable was £458,648 (1997: £376,416).