

THE ALMANZORA GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2002



Horwath Clark Whitehill

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THE ALMANZORA GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2002

The directors present their report and financial statements for the year ended 31 March 2002.

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.

Although there has been no sales commission during the year and the company has made an increased loss, a significant level of sales commission has been achieved since the year end, and the directors are confident of the longer-term prospects for the company.

RESULTS

The financial statements for the year ended 31 March 2002 show a loss after taxation of £124,310 (2001 loss: £41,335) which has been taken 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	(resigned 31 December 2001)
J R Hitchins	
J C Hitchins	(appointed 31 December 2001)
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.

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.

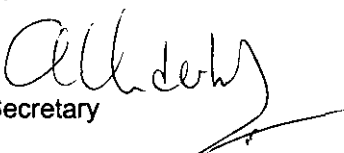
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

THE ALMANZORA GROUP LIMITED
DIRECTORS' REPORT (Continued)
YEAR ENDED 31 MARCH 2002

AUDITORS

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ALMANZORA GROUP LIMITED

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We have audited the financial statements of The Almanzora Group Limited for the year ended 31 March 2002 set out on pages 4 to 9.

These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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.

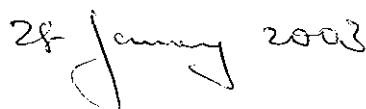
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of 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 as at 31 March 2002 and of its loss 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



THE ALMANZORA GROUP LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2001 £
TURNOVER	1(b)	-	24,230
Cost of Sales		<u>185,894</u>	<u>87,109</u>
GROSS LOSS		185,894	62,879
Administrative expenses		<u>93,156</u>	<u>88,242</u>
OPERATING LOSS		279,050	151,121
Interest receivable		<u>89,393</u>	<u>91,764</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	189,657	59,357
Tax credit on loss on ordinary activities	4	<u>65,347</u>	<u>18,022</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		124,310	41,335
DEFICIT BROUGHT FORWARD		<u>267,386</u>	<u>226,051</u>
DEFICIT CARRIED FORWARD		<u>391,696</u>	<u>267,386</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 9 form
an integral part of these financial statements.

THE ALMANZORA GROUP LIMITED
BALANCE SHEET
31 MARCH 2002

	Notes	£	2002 £	2001 £
FIXED ASSETS				
Tangible fixed assets	5		3,473	3,728
CURRENT ASSETS				
Land		409,607		-
Other debtors		809,365		718,214
Amount owed by group undertaking		722,281		647,866
Cash at bank and in hand		100		100
		<u>1,941,353</u>		<u>1,366,180</u>
CREDITORS: amounts falling due within one year				
Bank overdraft		828,041		68,160
Trade creditors		25,670		7,021
Amount owed to group undertakings		1,190,414		1,271,444
Other creditors and accruals		4,782		3,630
Taxation and social security		6,257		4,867
		<u>2,055,164</u>		<u>1,355,122</u>
NET CURRENT (LIABILITIES)/ASSETS			<u>(113,811)</u>	<u>11,058</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(110,338)</u>	<u>14,786</u>
PROVISION FOR LIABILITIES AND CHARGES	6		<u>(31,358)</u>	<u>(32,172)</u>
NET LIABILITIES			<u>(141,696)</u>	<u>(17,386)</u>
CAPITAL AND RESERVES				
Called up share capital	7		250,000	250,000
Profit and loss account - Deficit			<u>(391,696)</u>	<u>(267,386)</u>
SHAREHOLDERS' DEFICIENCY			<u>(141,696)</u>	<u>(17,386)</u>

Approved by the Board on 27/1/03
and signed on its behalf by:

- Director



The notes on pages 6 to 9 form
an integral part of these financial statements.

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2002

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.

The company has a deficiency of net assets and the Robert Hitchins Group Limited has confirmed its intention of providing sufficient financial support to enable the company to meet its obligations to third parties.

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% to 25% per annum
Motor vehicles	- 25% per annum

(d) Deferred Taxation

FRS 19 (deferred tax) has been adopted for these accounts. In accordance with the standard, full provision is made, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted for substantially enacted at the balance sheet date, in respect of timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts. Deferred tax is measured on a non-discounted basis.

(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. The scheme is a multi-employer defined benefit scheme but the employer is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out at 1 June 2000 and updated at 31 March 2002 by a qualified independent actuary, and shows a deficit in the scheme of £380,000.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£	£
This is arrived at after charging:		
Auditors' remuneration	2,600	2,500
Directors' remuneration		
- Emoluments	32,025	30,024
- Pensions costs	910	942
Depreciation	<u>1,405</u>	<u>1,618</u>
and after crediting:		
Interest receivable from group undertaking	<u>89,393</u>	<u>91,764</u>

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2002

3. EMPLOYEE INFORMATION

a) Staff Costs and Numbers

The average number of persons (including directors) employed by the company during the year was 5 (2001 - 4), employed in sales, marketing and administration.

	2002 £	2001 £
Aggregate gross salaries	159,240	123,715
Social security costs	16,296	12,733
Pension costs	11,286	10,848
	<u>186,822</u>	<u>147,296</u>

b) Directors

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

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

- c)** Employees are members of The Robert Hitchins Group Pension Scheme, a multi-employer defined benefit scheme. Contributions to the scheme are determined by qualified actuaries on the basis of financial valuations. The last actuarial valuation was carried out at 1 June 2000 and updated to 31 March 2002. Further details of the scheme 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.

4. TAXATION

	2002 £	2001 £
Compensation for group losses in year	57,064	18,022
Prior Year's Adjustments	7,469	-
Deferred taxation	814	-
	<u>65,347</u>	<u>18,022</u>
Factors affecting the tax charge		
(Loss)/profit on ordinary activities before tax	(189,657)	(59,357)
(Loss)/profit on ordinary activities before tax multiplied by the full rate of corporation tax	(56,897)	(17,807)
Effects of		
Differential between standard and actual rates		
Group relief surrendered	57,064	18,022
Payment received re group relief	(57,064)	(18,022)
Capital allowances in excess of depreciation	(167)	(215)
	<u>(57,064)</u>	<u>(18,022)</u>
Current tax credit	<u>(57,064)</u>	<u>(18,022)</u>

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2002

5. TANGIBLE FIXED ASSETS

	Total £	Fixtures, Fittings and office Equipment £	Motor Vehicle £
Cost			
At 1 April 2001	31,516	9,811	21,705
Additions	3,150	1,250	1,900
Disposals	(4,000)	-	(4,000)
At 31 March 2002	30,666	11,061	19,605
Depreciation			
At 1 April 2001	27,788	8,084	19,704
Charge for the year	1,405	930	475
Disposals	(2,000)	-	(2,000)
At 31 March 2002	27,193	9,014	18,179
Net Book values			
31 March 2002	3,473	2,047	1,426
<i>31 March 2001</i>	<i>3,728</i>	<i>1,727</i>	<i>2,001</i>

6. PROVISION FOR LIABILITIES AND CHARGES

	2002 £
At 1 April 2001	32,172
Credited to the profit and loss account	(814)
At 31 March 2002	31,358

Timing differences arise from:

	2002		2001	
	Full Potential Liability £	Provided in Accounts £	Full Potential Liability £	Provided in Accounts £
Accelerated capital allowances	(814)	(814)	(981)	-
Short term timing differences (loan) interest	32,172	32,172	32,172	32,172
	31,358	31,358	31,191	32,172

7. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted and fully paid 250,000 Ordinary shares of £1 each	250,000	250,000

THE ALMANZORA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2002

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 Demerger SL, a fellow subsidiary company. During the year the company received £nil commission (2001: £24,230) from that company, and accrued interest of £89,393 (2001: £91,764) on the amount outstanding. At 31 March 2002 the amount outstanding amounted to £722,281 (2001: £647,848) and interest receivable was £798,837 (2001: £709,445).