

FOUR WINDS RESORTS LIMITED
FINANCIAL STATEMENTS

**EIGHTEEN MONTH
PERIOD TO
31 DECEMBER 2005**



FOUR WINDS RESORTS LIMITED
FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

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FOUR WINDS RESORTS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Directors Nigel Chapman
Nicholas Dickinson

Company secretary Nicholas Dillow

Registered office Carpenter's Buildings
Carpenter's Lane
Cirencester
GL7 1EE

Auditors Solomon Hare Audit LLP
Chartered Accountants
Registered Auditors
Oakfield House
Oakfield Grove
Clifton
Bristol
BS8 2BN

Bankers Barclays Bank plc
Hatton Cross Branch
West London Group
210 High Street
Hounslow
TW3 1DL

Solicitors Mills & Reeve
Francis House
112 Hills Road
Cambridge
CB2 1PH

FOUR WINDS RESORTS LIMITED

DIRECTORS' REPORT

PERIOD ENDED 31 DECEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the eighteen month period to 31 December 2005

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company during the period was that of developing luxury family orientated holiday resort destinations

During the period the company made a number of strategic investments as detailed in note 9 to the accounts

RESULTS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the period together with their beneficial interests, including family and trust interests, in the shares of the company were as follows

	Ordinary Shares of £1 each	
	At 31 Dec 2005	At 30 June 2004
Nicholas Dickinson	25,000	25,000
Nigel Chapman	<u>1</u>	<u>1</u>

In addition 24,999 shares are held by the Trustees of the Lindsay Grandchildren Settlement, a family trust for the benefit of Nigel Chapman's children

DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies, as described on page 8, and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume 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 accounts comply with the Companies Act 1985. The directors 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

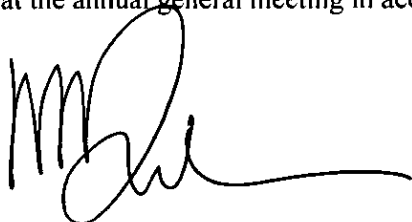
FOUR WINDS RESORTS LIMITED

DIRECTORS' REPORT *(continued)*

PERIOD ENDED 31 DECEMBER 2005

AUDITORS

A resolution to re-appoint Solomon Hare Audit LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with Section 385 of the Companies Act 1985

A handwritten signature in black ink, appearing to read 'Nicholas Dickinson', with a long horizontal flourish extending to the right.

Nicholas Dickinson
Director

Approved by the directors on 14 March 2007

FOUR WINDS RESORTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

PERIOD ENDED 31 DECEMBER 2005

We have audited the financial statements of Four Winds Resorts Limited for the period from 1 July 2004 to 31 December 2005 on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8

This report is made solely to the company's shareholders as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 information in the financial statements.

FOUR WINDS RESORTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

PERIOD ENDED 31 DECEMBER 2005

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985


SOLOMON HARE AUDIT LLP

Chartered Accountants

Registered Auditors

Bristol

14 March 2007

FOUR WINDS RESORTS LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD ENDED 31 DECEMBER 2005

		Period from 1 July 2004 to 31 Dec 2005 £	Period from 6 Nov 2003 to 30 June 2004 £
	Note		
TURNOVER	2	156,965	-
Administrative expenses - normal		(257,248)	(91,808)
- exceptional		(36,215)	-
OPERATING LOSS	3	(136,498)	(91,808)
Interest payable	5	(124,890)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(261,388)	(91,808)
Tax on loss on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL PERIOD		(261,388)	(91,808)
RETAINED LOSS BROUGHT FORWARD		(91,808)	-
RETAINED LOSS CARRIED FORWARD		(353,196)	(91,808)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the period as set out above

The notes on pages 8 to 15 form part of these accounts.

FOUR WINDS RESORTS LIMITED**BALANCE SHEET****31 DECEMBER 2005**

	Note	31 December 2005		30 June 2004	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		30,300		-
Tangible assets	8		2,576		-
Investments	9		1,613,443		125,002
			<u>1,646,319</u>		<u>125,002</u>
CURRENT ASSETS					
Debtors	10	143,477		39,691	
Cash at bank			-	6,248	
			<u>143,477</u>	<u>45,939</u>	
CREDITORS: Amounts falling due within one year	11	(393,492)		(250,249)	
NET CURRENT LIABILITIES			(250,015)		(204,310)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,396,304</u>		<u>(79,308)</u>
CREDITORS: Amounts falling due after more than one year	12		(1,650,000)		-
NET LIABILITIES			<u>(253,696)</u>		<u>(79,308)</u>
CAPITAL AND RESERVES					
Called-up equity share capital	16		99,500		12,500
Profit and loss account			(353,196)		(91,808)
EQUITY SHAREHOLDERS' DEFICIT	17		<u>(253,696)</u>		<u>(79,308)</u>

These financial statements were approved by the directors on 14 March 2007 and are signed on their behalf by



Nicholas Dickinson
Director

The notes on pages 8 to 15 form part of these accounts.

FOUR WINDS RESORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

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

The company, its joint ventures and its wholly owned subsidiary comprise a small group. The company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts. Therefore, the accounts only present information about it as an individual undertaking and not about its group.

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 'Cash Flow Statements'.

Turnover

Turnover is the amount receivable by the company in the ordinary course of business in respect of project management services and new holiday destination services, excluding VAT.

Going concern

The accounts have been prepared on a going concern basis which assumes that the shareholders will continue to provide financial support to the company for the foreseeable future as required.

Tangible fixed assets

Depreciation is provided so as to write off the cost of equipment, less its estimated residual value, over its estimated useful life of 3 years on a straightline basis.

Intangible fixed assets

The intangible asset relates to intellectual property acquired during the year. Amortisation is provided so as to write off the intangible asset over its estimated useful life of 10 years on a straightline basis.

Deferred taxation

Deferred tax is recognised on a full provision basis in respect of all timing differences, which have originated but not reversed, at the balance sheet date. Timing differences represent the accumulated differences between taxable profit and financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. The provision is not discounted.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

FOUR WINDS RESORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

2. TURNOVER

The turnover is attributable to the following activities

	Period from 1 July 2004 to 31 Dec 2005 £	Period from 6 November 2003 to 30 June 2004 £
Project management and design services	147,965	-
New holiday destination services	9,000	-
	<u>156,965</u>	<u>-</u>

3. OPERATING LOSS

Operating loss is stated after charging

	Period from 1 July 2004 to 31 Dec 2005 £	Period from 6 November 2003 to 30 June 2004 £
Auditors' remuneration	7,300	2,500
Directors' remuneration	-	-
Depreciation of tangible fixed assets	<u>600</u>	<u>-</u>

Exceptional costs of £36,215 were incurred in relation to the preparation of an investment memorandum and associated fund raising costs

4. STAFF COSTS

Staff costs during the period amounted to

	Period from 1 July 2004 to 31 Dec 2005 £	Period from 6 November 2003 to 30 June 2004 £
Salaries	180,892	-
Social Security costs	19,898	-
	<u>200,790</u>	<u>-</u>

The average number of employees during the period within each category of persons was

Project management and design	5	-
Administration	<u>1</u>	<u>-</u>
	<u>6</u>	<u>-</u>

The directors were not remunerated through the company during the period

FOUR WINDS RESORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

5. INTEREST PAYABLE

	Period from 1 July 2004 to 31 Dec 2005	Period from 6 November 2003 to 30 June 2004
	£	£
Interest payable on shareholder loans	97,602	-
Bank interest payable	27,288	-
	<u>124,890</u>	<u>-</u>

6. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 1 July 2004 to 31 December 2005	Period from 6 November 2003 to 30 June 2004
	£	£
Current tax		
UK Corporation tax based on the results for the period at nil%	-	-
Total current tax	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%

	Period from 1 July 2004 to 31 December 2005	Period from 6 November 2003 to 30 June 2004
	%	%
Tax on profit on ordinary activities multiplied by standard rate of corporation tax of 30%	30	30
Disallowed expenses for tax purposes	(3)	(7)
Losses carried forward	(27)	(23)
Total current tax (note 6(a))	<u>-</u>	<u>-</u>

(c) Factor affecting future tax charges

At 31 December 2005 the company has tax losses of approximately £318,156 (2004 £160,000) available to carry forward against future taxable profits

FOUR WINDS RESORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

7. INTANGIBLE FIXED ASSET

	Intellectual Property £
COST	
At 1 July 2004	-
Additions	33,667
At 31 December 2005	<u>33,667</u>
 AMORTISATION	
At 1 July 2004	-
Charge for the year	3,367
At 31 December 2005	<u>3,367</u>
 NET BOOK VALUE	
At 31 December 2005	<u>30,300</u>
At 30 June 2004	<u>-</u>

8 TANGIBLE FIXED ASSETS

	Equipment £	Total £
Cost :		
At 1 July 2004	-	-
Additions	3,176	3,176
At 31 December 2005	<u>3,176</u>	<u>3,176</u>
 Depreciation		
At 1 July 2004	-	-
Charge for the year	600	600
At 31 December 2005	<u>600</u>	<u>600</u>
 Net book value :		
At 31 December 2005	<u>2,576</u>	<u>2,576</u>
At 30 June 2004	<u>-</u>	<u>-</u>

FOUR WINDS RESORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

9. INVESTMENTS

	Joint Ventures £	Unlisted Investments £	Project Investments £	Total £
Equity & project costs :				
At 1 July 2004	25,000	2	-	25,002
Additions	222,519	30,000	314,034	566,553
At 31 December 2005	<u>247,519</u>	<u>30,002</u>	<u>314,034</u>	<u>591,555</u>
Loans				
At 1 July 2004	100,000	-	-	100,000
Movement	343,697	345,000	-	688,697
At 31 December 2005	<u>443,697</u>	<u>345,000</u>	<u>-</u>	<u>788,697</u>
Intercompany loan :				
At 1 July 2004	-	-	-	-
Movement	-	233,191	-	233,191
At 31 December 2005	<u>-</u>	<u>233,191</u>	<u>-</u>	<u>233,191</u>
TOTAL	<u>691,216</u>	<u>608,193</u>	<u>314,034</u>	<u>1,613,443</u>

The company's investment in the ordinary shares of unlisted companies at the balance sheet date comprises

Company	Country of incorporation	% holding	Nature of business
Four Winds Holidays Limited (formerly Meriski Limited)	UK	100	Holiday operator

The directors have reviewed the future prospects and projected cashflows for Four Winds Holidays Limited and are of the opinion that the amounts will be recoverable in the future

Joint Ventures

Four Winds Resorts Limited has a 50% interest in Baylife plc, a company incorporated in England. Four Winds Resorts Limited has joint control of the business.

Four Winds Resorts Limited has a 50% interest in Boa Vista Holding Limited, a company registered in Switzerland. Four Winds Resorts Limited has joint control of the business.

Inherently there can be no certainty on the outcome for these projects, which are subject to obtaining all the necessary regulatory consents and the trading performance of the ventures. However, based on their knowledge and the forecast outcomes, the directors consider that the amounts shown as loans, equity and project costs for the joint ventures will be recoverable in the future.

FOUR WINDS RESORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

9. INVESTMENTS (continued)

Project Investments

Project investments reflect costs incurred in relation to the company's joint venture investments and associated holiday resort projects

Inherently there can be no certainty on the outcome for these projects, which are subject to obtaining all the necessary regulatory consents and the trading performance of the ventures. However, based on their knowledge of the projects and the forecast outcomes, the directors consider that the amounts included as project investments will be recoverable in the future.

10. DEBTORS

	31 December 2005	30 June 2004
	£	£
Amounts owed by related parties	142,344	4,332
Other debtors	1,133	20,000
VAT recoverable	-	15,359
	<u>143,477</u>	<u>39,691</u>

11. CREDITORS: Amounts falling due within one year

	31 December 2005	30 June 2004
	£	£
Bank overdraft	285,219	-
Trade creditors	46,344	55,844
Short term loan	-	-
Taxation and social security	21,889	-
Amounts owed to director	-	38,750
Amount owed to related parties	24,140	153,153
Amount owed to subsidiary	-	2
Accruals	15,900	2,500
	<u>393,492</u>	<u>250,249</u>

12. CREDITORS: Amounts falling due after more than one year

During the period the shareholders advanced loans to the company totalling £1,650,000 (2004 £nil). These loans are unsecured and are repayable on varying dates between September and November 2009. Interest is payable quarterly at a rate of 5% per annum.

The directors have given a limited guarantee for £250,000 over the bank overdraft.

13. DEFERRED TAXATION

At the balance sheet date there is an unprovided deferred taxation asset as follows:

	Unprovided 2005	Unprovided 2004
	£	£
Losses brought forward	<u>(95,246)</u>	<u>(8,000)</u>

FOUR WINDS RESORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2005

14. TRANSACTIONS WITH THE DIRECTORS

Bristol Associates Limited, a company of which Nigel Chapman and Nicholas Dickinson are directors and which they control, was paid management fees of £18,750 during the period (included in project investment costs) £6,636 was owed by Bristol Associates Limited to the company at 31 December 2005

15. RELATED PARTY TRANSACTIONS

Project management and administration services were provided by the company during the period to Meriski Limited (now Four Winds Holidays Limited), a wholly owned subsidiary

Project management and design services were provided by the company during the period to Four Gold Winds SA, a wholly owned subsidiary of Boa Vista Holding Limited

Project management and design services were provided by the company during the period to Baylife plc

Nicholas Dickinson and Nigel Chapman are or have been directors of LHM plc and Alias Hotels plc, which was owned and controlled by LHM plc. Services were provided and expenses recharged between the entities on an arms length basis during the period

Nicholas Dickinson and Nigel Chapman were, until 31 December 2005, directors of Luxury Family Hotels plc. Services were provided and expenses recharged between the entities on an arms length basis during the period

Nicholas Dickinson and Nigel Chapman were directors of Luxury Family Hotels Five plc. Services were provided and expenses recharged between the entities on an arms length basis during the period

The following table shows the value of transactions entered into during the period and the balance outstanding at 31 December 2005

	Fees & services £	Purchases £	Balance receivable / (payable) at 31 Dec 2005 £
Four Gold Winds SA	40,290	-	40,290
Baylife plc	60	-	(718)
Meriski Limited	20,278	-	-
LHM plc & Alias Hotels plc	64,342	83,821	16,959
Luxury Family Hotels plc	39,870	41,007	14,988
Luxury Family Hotels Five plc	1,800	-	-

16. SHARE CAPITAL

Authorised share capital:

	31 December 2005 £	30 June 2004 £
99,500 Ordinary shares of £1 each	<u>99,500</u>	<u>50,000</u>

FOUR WINDS RESORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2005

16. SHARE CAPITAL (continued)

Allotted and called up:

	31 December 2005		30 June 2004	
	No	£	No	£
Ordinary shares of £1 each, fully paid	99,500	99,500	50,000	12,500

A further 49,500 ordinary shares of £1 each were issued on 21 August 2004 fully paid. The information needed remaining 75p on the partly paid shares issued on 8 December 2003 was called up and fully paid during the period.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2005	30 June 2004
	£	£
Opening shareholders' equity deficit	(79,308)	-
Shares issued, part paid	37,500	12,500
Shares issued, fully paid	49,500	-
Loss for the financial period	(261,388)	(91,808)
Closing shareholders' equity deficit	(253,696)	(79,308)

18. COMMITMENTS

At 31 December 2005 the company had entered into joint venture agreements with Boa Vista Holding Limited and Baylife plc.

Under the agreements with Boa Vista Holding Limited and Baylife plc the company has a commitment to make loans to finance these joint ventures. At the year end the company owed Boa Vista €425,000 which was advanced in January 2007.

No work is currently being undertaken in relation to the Baylife plc project pending resolution of site planning issues. The loans have not therefore been required and financial commitments under the agreement have been suspended.

19. POST BALANCE SHEET EVENTS

In January 2007 the shareholders agreed to take up further shares via a "3 for 5" rights issue with each new share carrying the obligation to subscribe £35 in loans payable in 2 instalments of £25 and then £10. This will generate new funds totalling £2,149,200 in two stages.