

OWNERS COMMUNITY  
LA CALA HILLS FASE 1

Financial Statement as at 30 September 2005

(Prepared by Intercala)

	Notes	30.09.2005
<b>Assets</b>		
Cash in hand		-0.48
Bank – current account		7,454.43
Owners debtor balances	(2)	81,993.95
Creditors debtor balances	(3)	15,831.18
Items pending application	(4)	7,267.26
<b>Total assets</b>		<b>112,546.34</b>
<b>Liabilities</b>		
Owners credit balances	(2)	822.99
Creditors credit balances	(3)	14,581.94
Accruals	(5)	29,955.44
<b>Total liabilities</b>		<b>45,360.37</b>
<b>Community Fund</b>		
Prior year surplus		89,055.57
Deficit for the period		-21,869.60
<b>Total Community Fund at 30.9.05</b>		<b>67,185.97</b>
<b>Total liabilities and community fund</b>		<b>112,546.34</b>

Owners community  
La Cala Hills Fase 1

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	Notes	30.9.2005	Budget	Difference
<b>Income</b>				
Ordinary quotas	(6)	333,412.25	348,000.00	14,587.75-
<b>Total Income</b>		<b>333,412.25</b>	<b>348,000.00</b>	<b>14,587.75-</b>
<b>Expenses</b>				
Garden maintenance		10,969.63	4,000.00	6,969.63
General maintenance		91,135.80	87,000.00`	4,135.80
Pool maintenance		14,337.46	3,000.00	1,337.46
Stairway Cleaning		26,965.10	36,000.00	9,034.90-
General repairs		14,728.70	6,000.00	8,728.70
Fire security system maintenance		0.00.	3,000.00	3,000.00-
Intercom and digital maintenance		7,089.18	6,000.00	1,089.18
Administration Fees		17,299.96	15,000.00	2,299.96
Office		971.60	1,000.00	28.40-
Lift Maintenance		13,895.12	12,000.00	1,895.12
Unforeseen		12,525.69	10,000.00	2,525.69
Bank Charges		1,308.30	500.00	808.30
Building Insurance		5,127.18	6,000.00	872.82-
Water	(7)	20,000.00	20,000.00	0.00
Electricity		18,070.68	15,000.00	3,070.68
Pest Control		2,354.66	2,000.00	354.66
Reserve fund		0.00	16,500.00	16,500.00-
ADSL quotas expenses		30,019.78	33,000.00	2,980.22-
Security 24h quotas expenses		84,890.54	72,000.00	12,890.54
<b>Total expenses</b>		<b>371,689.38</b>	<b>348,000.00</b>	<b>23,689.38</b>
<b>ORDINARY RESULT</b>		<b>-38,277.13</b>		<b>-38,277.13</b>
Bank interest		30.05		30.05
Other income		1,875.00		1,875.00
Extraordinary income	(8)	14,502.48		14,502.48
<b>Extraordinary result</b>		<b>16,407.53</b>		<b>16,407.53</b>
<b>DEFICIT FOR THE PERIOD</b>		<b>-21,869.60</b>		<b>-21,869.60</b>

## Notes to the Financial Statements

### 1. Accounting Principles

The financial statements of the Community have been prepared in accordance with generally accepted accounting principles.

The accounting treatment of assets acquired by communities differs from the business accounting practice which would require them to be capitalised as fixed assets and depreciated over their useful lives. The concept of spreading cost of acquisition over future years is inappropriate in community accounting which requires close comparison of costs and funding. Assets are therefore treated as expenses in the year they are acquired.

No provision is made against owners debtor balances in respect of doubtful debts. Exceptionally, uncollectable debts would be charged against the Community fund.

Income from quotas consists of the quotas notified to owners in respect of the financial year irrespective of the date of collection; uncollectable quotas at the year end being shown in the annual accounts as debtors. Similarly, expenses remaining unpaid at the year-end are included in the financial statement as liabilities.

### 2. Owners balances

This balance is analysed as follows :

	No	Euros	%
Balances over Euros 3,005	7	29,313.00	35.75%
Balances over Euros 1,803	11	26,471.33	32.28%
Balances under Euros 1,803	27	26,209.62	31.97%
<b>Total debt balances</b>	<b>45</b>	<b>81,993.95</b>	<b>100%</b>
<b>Credit balances</b>	<b>8</b>	<b>822.99</b>	
<b>Total net balances</b>		<b>81,170.96</b>	

### 3. Creditors

This item at 30.9.2005 is made up of the following expenses :

	No	Euros
Seven Hills	1	14,333.45
Other creditors	4	1,497.73
<b>Total creditors with debt balance</b>	<b>5</b>	<b>15,831.18</b>
Antonio Lozano	1	7,304.10
Contraplagas Ambiental	1	1,195.87
Others creditors	13	6,081.97
<b>Total creditors with credit balance</b>	<b>15</b>	<b>14,581.94</b>
<b>Total net balances</b>	<b>20</b>	<b>1,249.24</b>

### 4. Items pending application

The balance of this item is due to a payment carried out by the community of 7,741.90. It is not exactly known what was the reason for this payment.

### 5. Accruals

This item at 30.09.2005 is made up of the following expenses :

	Euros
Salaries	3,148.92
Water	8,503.23
Light	1,580.91
Garden and pool maintenance	7,250.00
Security	6,000.00
Other	3,472.38
<b>Total</b>	<b>29,955.44</b>

### 6. Ordinary quotas

The reason for what the amount of the paid quotas has been lower than the amount budgeted has been due to the 4<sup>th</sup> quarter of 2004 quota was paid in accordance with the prior budget, and this quota has not been regularised lately according to the new budget.

### 7. Water expenses

This item at 30.09.2005 is made up of the following expenses :

	Euros
Prior year water expense	11,496.77
Water expesnse provision for the year	8,503.23
<b>Total</b>	<b>20,000.00</b>

## **8. Extraordinary income**

The extraordinary income is due to a payment of Seven Hills to the Community for cleaning services and security cameras that amounts to 14,502.48 euros

**Auditor's Report  
(Prepared by Fay & Co)**

**TO THE MEMBERS OF THE OWNERS COMMUNITY  
LA CALA HILLS FASE 1**

1. We have audited the financial statements of the Owners Community La Cala Hills Fase 1, consisting of the balance sheet as at September 30, 2005, the income and expenditure account and notes to the financial statements for the year then ended, the preparation of which is the responsibility of the Community. The Owners Community is not a mercantile entity and it is therefore not under legal obligation to prepare Annual Accounts according to the mercantile law. Nevertheless, the financial statements have been prepared in accordance with generally accepted accounting principles. Our responsibility is to express an opinion on the financial statements taken as a whole, based on the work carried out in accordance with generally accepted auditing standards, including tests of the evidence supporting the financial statements and evaluation of their presentation, the accounting principles applied and the estimates made.
2. Our opinion refers exclusively to the financial statements of the year ended 30 September 2005. On October 22, 2004, the financial statements for the year ended 30 September 2004 were audited by us and contained a qualified opinion.
3. Considering the different interpretations that can be made of the tax regulations applicable to some transactions undertaken by the Community, there could be certain tax contingencies that cannot be quantified objectively.
4. At the Annual General Meeting held on 11<sup>th</sup> November 2004 an ordinary budget was approved of euros 348,000. However, only euros 333,412.25 have been charged. If the approved budget would have been charged, the income and the debtors would have been increased by euros 14,587.75 during the year ended 30 September 2005.
5. At the date of this report we have not received reply of our request of information from the Andalucia Bank and the majority of suppliers.
6. In our opinion except for the defects of any adjustments that may have been considered necessary if we should know the final outcome of the uncertainty described in paragraph 3, the qualification described in paragraph 4 and the limitation on scope described in paragraph 5, the annexed financial statements give, in all material respects, a true and fair view of the state of affairs of the Owners Community La Cala Hills Fase 1 at 30 September 2005 and of its income and expenditure for the year ended on that date and contain sufficient information for their interpretation and understanding in accordance with generally accepted accounting principles (as explained in note 1).

Fay & Co Auditores S.R.L.  
Registered auditor with R.O.A.C under no SO 1022