

Introduction to Year End Report 30th Sept. 2004

Although the community year end was originally 1st July to 30th of June this was amended at the EGM of 22nd July 2003 to run from 1st October to 30th September.

The Year End Report shown here incorporates income and expenditure for the first financial year of La Cala Hills Phase 1.

Balance Sheet as at 30 September 2004

(Prepared by Golf Valley Administrations S.L.)

	Notes	30.09.2004
Assets		
Cash in hand		2,021.22
Bank - current account		1,955.45
Owners debtor balances	(2)	110,473.13
Debtors	(3)	14,333.45
Total Assets		128,783.25
Liabilities		
Owners credit balances	(2)	4,623.61
Creditors	(4)	20,889.43
Accruals	(5)	13,740.00
Items pending of application		474.64
Total liabilities		39,727.68
NET ASSETS		89,055.57
Community Fund		
Surplus for the period		89,055.57
TOTAL COMMUNITY FUND 30.09.04		89,055.57

Income and Expenditure Account at 30 September 2004

(Prepared by Golf Valley Administrations S.L.)

	Notes	30.9.2004	Budget	Differences
Income				
Ordinary quotas		289,649.00	289,650.00	1.00
Total Income		289,649.00	289,650.00	1.00
Expenses				
Garden maintenance		2,242.02	6,000.00	-3,757.98
General maintenance		13,339.03	15,000.00	-1,660.97
Pool maintenance		20,210.08	12,000.00	8,210.08
Administration		15,799.92	15,800.00	-0.08
Community office		12,999.84	13,000.00	-0.16
Lifts maintenance		12,023.40	15,000.00	-2,976.60
TV-telecom maintenance		3,745.18	9,300.00	-5,554.82
Personel		83,335.21	112,000.00	-28,664.79
Professional fees		3,000.00	4,000.00	-1,000.00
Bank expenses		1,736.16	1,000.00	736.16
Insurance		3,866.38	12,000.00	-8,133.62
Water		19,247.11	24,100.00	-4,852.89
Electricity		15,737.51	22,000.00	-6,262.49
Pest Control		1,129.42	3,900.00	-2,770.58
Other expenses	(6)	5,634.04	6,000.00	-365.96
Lifeguard		6,003.00	4,800.00	1,203.00
Reserve fund		-	13,750.00	-13,750.00
Total expenses		220,048.30	289,650.00	-69,601.70
ORDINARY RESULT		69,600.70		69,600.70
Start quotas income		60,000.00	60,000.00	-

- Start quotas expenses (7)	54,807.26	60,000.00	-5,192.74
ADSL quotas income	33,237.55	33,237.00	0.55
- ADSL quotas expenses	33,236.76	33,237.00	-0.24
Security 24h quotas income	100,739.97	100,748.00	-8.03
- Security 24hr quotas expenses	86,478.63	100,748.00	-14,269.37
Extraordinary result	19,454.87		19,454.87
SURPLUS FOR THE PERIOD	89,055.57		89,055.57

Notes to the Financial Statements

(Prepared by Golf Valley Administrations S.L.)

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 1,803	23	51,870.19	47%

Balances under Euros 1,803	39	30,252,68	27%
Balances over Euros 3,005	8	28,350.26	26%
Total debt balances	70	110,473.13	100%
Credit balances	24	4,623.61	
Total net balances		105,849.52	

3. Debtors

This item is made up with the debtor balance of the promoter Seven Hills S.L. with the Community.

4. Creditors

This item at 30.9.2004 is made up of the following creditors:

	Euros
Fulima SLU	16,836.91
Vipama Sport	841.00
Sevillana de electricidad	681.54
Others creditors	2,529.98
Total	20,889.43

5. Accruals

This item at 30.09.2004 is made up of the following expenses :

	Euros
Electricity	3,740.00
Water	7,000.00
Audit	3,000.00
Total	13,740.00

6. Other expenses

This item at 30.09.2004 is made up of the following expenses :

	Euros
Telephone	1,751.16

Others	3,882.88
Total	5,634.04

7. Expenses start quotas

This item at 30.09.2004 is made up of the following expenses :

	Euros
Electricity contracts	4,143.63
Parasols	3,176.60
Setting up community	5,194.60
Computer	1,504.91
Hammocks	9,824.14
External glass of sliding gate in street	3,913.43
Rubbish bins	2,054.28
Cameras of security	6,714.78
Cleaning buildings and gardens (15.10.04-31.10.04)	15,575.40
Others expenses	2,705.49
Total	54,807.26

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, 2004, 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 2004. As the Owners Community began its operations in January 31, 2003 there is no balance sheet or profit or loss account for the previous year.
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 date of this report we have not received reply of our request of information from lawyers.
5. In our opinion except for the defects of any adjustments that may have been considered necessary should the final outcome of the uncertainty described in paragraph 3, and the limitation described in paragraph 4, 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 2004 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).

Joseph F Fay

Partner

Fay & Co Auditores S.R.L.

Registered auditor with R.O.A.C under no SO 1022