

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2004
FOR
LA MANZANILLA (UK) LIMITED**



LA MANZANILLA (UK) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 OCTOBER 2004

DIRECTORS:

N R Peele
D R Beamish
M R Lovett
D F Nordset
O E Sandoy

SECRETARY:

D R Beamish

REGISTERED OFFICE:

Bryan Cave
Cannon Street
London
EC4M 5TE

REGISTERED NUMBER:

04529068

AUDITORS:

MGI Midgley Snelling
6th Floor South
Brettenham House
Lancaster Place
London
WC2E 7EW

LA MANZANILLA (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 OCTOBER 2004

The directors present their report with the financial statements of the company for the year ended 31 October 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of establishing a holding company of overseas companies whose principal trading activity was that of residential property development.

On the 17th September 2002 the company agreed a purchase option to acquire the shares of two Spanish resident trading companies. The initial consideration paid for the purchase option equates to 1% of the overall purchase consideration for the entirety of the issued share capital of the two trading companies resident in Spain.

The company has exercised the option and has successfully fought a legal action to allow them to establish control over 100% of the share capital of the two Spanish resident trading companies.

At 31 October 2003, the company held substantial cash balances in anticipation of completing on the purchase option, and which subsequently took place following the successful conclusion of the above legal action. The bulk of the cash balances have now been utilised in acquiring the purchase option.

The company has focused on the development of the land owned by these companies in Spain into a golf course, golf club and residential properties.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors during the year under review were:

N R Peele
D R Beamish
M R Lovett
D F Nordset
O E Sandoy

The beneficial interests of the directors holding office on 31 October 2004 in the issued share capital of the company were as follows:

	31.10.04	1.11.03
Ordinary £1 shares		
N R Peele	15,000	15,000
D R Beamish	4,000	4,000
M R Lovett	5,000	5,000
D F Nordset	15,000	15,000
O E Sandoy	3,000	3,000

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 state of affairs of the company and of the profit or loss of the company for that 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;
- prepare the financial statements 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 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 and other irregularities.

LA MANZANILLA (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 OCTOBER 2004

AUDITORS

The auditors, MGI Midgley Snelling, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


.....
D R Beamish - Secretary

Date: 26 August 2005

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
LA MANZANILLA (UK) LIMITED**

We have audited the financial statements of La Manzanilla (UK) Limited for the year ended 31 October 2004 on pages five to twelve. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MGI Midgley Snelling

MGI Midgley Snelling
6th Floor South
Brettenham House
Lancaster Place
London
WC2E 7EW

Date: 26 August 2005

LA MANZANILLA (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 2004

		Year ended 31/10/04 £	Period 6/9/02 to 31/10/03 £
	Notes		
TURNOVER	2	33,333	5,000
Administrative expenses		<u>49,191</u>	<u>6,860</u>
OPERATING LOSS	3	(15,858)	(1,860)
Interest receivable and similar income		<u>6,278</u>	<u>3,035</u>
		(9,580)	1,175
Interest payable and similar charges		<u>-</u>	<u>77</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,580)	1,098
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(9,580)</u>	<u>1,098</u>
LOSS FOR THE YEAR		<u>(9,580)</u>	<u>1,098</u>

The notes form part of these financial statements

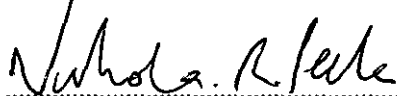
LA MANZANILLA (UK) LIMITED

BALANCE SHEET
31 OCTOBER 2004

	Notes	2004 £	2003 £
ASSETS			
Fixed assets			
Intangible assets	5	-	826,400
Investments	6	19,855,806	-
		<u>19,855,806</u>	<u>826,400</u>
Current assets			
Debtors: amounts falling due within one year	7	1,605,712	24,050
Debtors: amounts falling due after more than one year	7	-	1,047,199
Prepayments and accrued income		7,667	-
Cash at bank		188,552	1,031,056
		<u>1,801,931</u>	<u>2,102,305</u>
		<u>21,657,737</u>	<u>2,928,705</u>
LIABILITIES			
Capital and reserves			
Called up share capital	8	44,000	44,000
Share premium	9	498,000	498,000
Profit and loss account	9	(8,482)	1,098
Shareholders' funds		<u>533,518</u>	<u>543,098</u>
Other liabilities			
Amounts falling due within one year	10	21,124,219	478,044
Amounts falling due after more than one year	11	-	1,907,563
		<u>21,124,219</u>	<u>2,385,607</u>
		<u>21,657,737</u>	<u>2,928,705</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:



N R Peele - Director

Approved by the Board on 26 August 2005

The notes form part of these financial statements

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Exemption from preparing consolidated financial statements

The financial statements contain information about La Manzanilla (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 248 of the Companies Act 1985 from the requirements to prepare consolidated financial statements.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Intangible Assets

The intangible asset represents an option to acquire shares and the direct legal costs associated with acquiring the option. The intangible asset is amortised over its useful economic life.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities 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 transaction. Exchange differences are taken into account in arriving at the operating result.

Fixed asset investments

Fixed asset investments are stated at cost less provision for diminution in value

2. TURNOVER

100% of turnover was attributable to markets outside the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	Year ended 31/10/04 £	Period 6/9/02 to 31/10/03 £
Auditors remuneration	8,900	8,000
Foreign exchange differences	<u>1,828</u>	<u>(36,156)</u>
Directors' emoluments and other benefits etc	<u>-</u>	<u>-</u>

LA MANZANILLA (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 OCTOBER 2004**

4. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	Year ended 31/10/04 £	Period 6/9/02 to 31/10/03 £
Current tax:		
UK corporation tax	—	—
Tax on profit on ordinary activities	—	—

5. INTANGIBLE FIXED ASSETS

	Other intangible assets £
COST	
At 1 November 2003	826,400
Additions	602,276
Transferred to fixed asset investments	<u>(1,428,676)</u>
At 31 October 2004	—
NET BOOK VALUE	
At 31 October 2004	—
At 31 October 2003	<u>826,400</u>

The intangible asset represented an option to acquire 100% of the share capital of two Spanish resident trading companies. The direct legal costs associated with the acquisition and exercise of the option have been included within the capitalised amount.

This option was exercised prior to the year end and as such all amounts have been transferred to fixed asset investments to reflect for the ownership of the two Spanish resident trading companies.

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
Additions	18,427,130
Transferred from intangible fixed assets	<u>1,428,676</u>
At 31 October 2004	<u>19,855,806</u>
NET BOOK VALUE	
At 31 October 2004	<u>19,855,806</u>

LA MANZANILLA (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 OCTOBER 2004**

6. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of companies include the following:

Byblos Country Club Golf S.A.

Country of incorporation: Spain

Nature of business: Property development

	%	
Class of shares:	holding	
Ordinary	100.00	
		31/12/2003
		£
Aggregate capital and reserves		2,412,538
Profit for the year		<u>-</u>

Kamelosa Properties Inc

Country of incorporation: Panama

Nature of business: Property development

	%	
Class of shares:	holding	
Ordinary	100.00	
		31/12/2003
		£
Aggregate capital and reserves		-
Profit for the year		<u>-</u>

7. DEBTORS

	2004	2003
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	1,584,538	-
Other debtors	1,500	1,500
VAT	<u>19,674</u>	<u>22,550</u>
	<u>1,605,712</u>	<u>24,050</u>
Amounts falling due after more than one year:		
Other debtors	<u>-</u>	<u>1,047,199</u>
Aggregate amounts	<u>1,605,712</u>	<u>1,071,249</u>

Amounts owed by group undertakings of £1,584,538 (2003: £1,047,199) represents the costs associated with acquiring planning permission and developing the land held by the two Spanish resident trading subsidiaries. These costs will be recharged to the two trading subsidiaries.

LA MANZANILLA (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 OCTOBER 2004**

8. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2004	2003
			£	£
52,500	Ordinary	£1	<u>52,500</u>	<u>52,500</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2004	2003
			£	£
44,000	Ordinary	£1	<u>44,000</u>	<u>44,000</u>

9. RESERVES

	Profit and loss account	Share premium	Totals
	£	£	£
At 1 November 2003	1,098	498,000	499,098
Loss for the year	<u>(9,580)</u>	-	<u>(9,580)</u>
At 31 October 2004	<u>(8,482)</u>	<u>498,000</u>	<u>489,518</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Other loans	1,913,627	-
Trade creditors	374,457	228,706
Tax	-	-
Other creditors	17,211,236	-
Accruals and deferred income	<u>1,624,899</u>	<u>249,338</u>
	<u>21,124,219</u>	<u>478,044</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004	2003
	£	£
Other loans	<u>-</u>	<u>1,907,563</u>

LA MANZANILLA (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 OCTOBER 2004**

12. SECURED DEBTS

The following secured debts are included within creditors:

	2004	2003
	£	£
Other loans	<u>1,913,627</u>	<u>1,907,563</u>

The loans are secured by way of a fixed charge against the shares of La Manzanilla (UK) Limited.

The loans are interest free and are repayable on the date the golf course being developed in Spain is opened. A coupon of three times the value of the loan is payable on the same date or earlier by agreement.

13. RELATED PARTY DISCLOSURES

At the year end a loan of £413,600 (2003: £407,563) was owed to O E Sandoy, a director. The loan is interest free and is repayable within one year. The loan in each accounting period was for €595,282. A coupon of three times the value of the loan is payable on the date the golf course being developed in Spain is opened.

During the year the company made sales of £33,333 (2003: £Nil) to Rostein AS, a company owned by O E Sandoy, a director. At the year end £7,667 (2003: £Nil) was owed by Rostein AS to the company.

The following directors charged consultancy including expenses to the company during the accounting year and in the comparative period prior to the company's incorporation as follows:-

	2004	Period 6/9/02 to 31/10/03
N R Peele	£91,342	£112,605
D F Nordset	£186,883	£104,409
D R Beamish	£Nil	£64,677

At the period end the following directors were owed amounts by the company:-

	2004	Period 6/9/02 to 31/10/03
N R Peele	£Nil	£28,573
D F Nordset	£169,806	£14,589
D R Beamish	£Nil	£6,895

During the period David Beamish Limited charged the company £75,316 (2003: £12,143) including expenses for consultancy. David Beamish Limited is related to the company by virtue that D R Beamish is a director of both parties.

Consultancy fees of £320,208 are included within Debtors - Amounts owed by group undertakings of £2,833,765.

At the year end D R Beamish owed the company £1,500 (2003: £1,500).

On 17 September 2002 La Manzanilla (UK) Limited took an assignment from N P Consultants Limited of the benefit of the option contract for a price of £142,337 (Euro 228,384.60) which is the same price as that originally paid for the option contract. N P Consultants Limited is a party related to La Manzanilla (UK) Limited by virtue of N R Peele owning 100% of the voting rights of N P Consultants Limited.

LA MANZANILLA (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 OCTOBER 2004**

14. POST BALANCE SHEET EVENTS

Subsequent to the year end the company agreed to sell approximately 2/3 of the land held in its subsidiaries to Yeregui Desarrollo SL for Euro 53,000,0000. In return for acquiring the land Yeregui Desarrollo SL will be commissioned to undertake or contract the work of developing the golf course, club house and infrastructure for the whole site.

15. CONTROL

The company is not controlled by any one individual.