

LA MANZANILLA (UK) LIMITED



Directors' Report And Unaudited Financial Statements

For the year ended 31 October 2011

Company Registration No 04529068 (England And Wales)

LA MANZANILLA (UK) LIMITED

COMPANY INFORMATION

Directors	N Peele D Beamish M Lovett D Nordset
Secretary	D Beamish
Company number	04529068
Registered office	Devonshire House 60 Goswell Road EC1M 7AD
Accountants	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD

LA MANZANILLA (UK) LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Profit and loss account	3
Balance sheet	4 - 5
Notes to the financial statements	6 - 12

LA MANZANILLA (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2011

The directors present their report and financial statements for the year ended 31 October 2011.

Principal activities

The principal activity of the company continued to be that of a holding company of overseas companies whose principal trading activity was that of property development in Spain.

The company has continued to hold its investments in Byblos Country Club Golf S A and Kamelosa Properties Inc. The activities of these companies have been significantly reduced this year due to the impact of the worldwide recession in Spain, and the lack of confidence in the Spanish holiday and villa market in particular.

The company identifies its main risk being the valuation of the subsidiaries, Byblos Country Club Golf S A and Kamelosa Properties Inc, this is mitigated through the monitoring of the records on a timely basis. However the recession in Spain and its impact on the valuation of the property development is beyond the control of the directors. In 2011 the Spanish company with whom Byblos Country Club Golf S.A had contracted to sell part of the land owned went into liquidation. The directors have investigated the impact of the failure of this company on the value of investments. They have estimated that the recoverable value of investments is now only €1,439,264 and have recognised a provision in these financial statements to write down the investment value.

Directors

The following directors have held office since 1 November 2010:

N Peele
D Beamish
M Lovett
D Nordset
O Sandoy

(Resigned 15 June 2011)

LA MANZANILLA (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

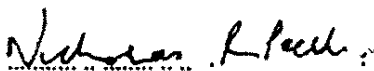
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



N Peele

Director

Date 30 July 2012

LA MANZANILLA (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2011

	Notes	2011 €	2010 €
Administrative expenses		(144,555)	(617,519)
Operating loss	2	(144,555)	(617,519)
Other interest receivable and similar income	3	-	1
Amounts written off investments	4	(27,666,499)	-
Interest payable and similar charges		-	(24)
Loss on ordinary activities before taxation		(27,811,054)	(617,542)
Tax on loss on ordinary activities	5	-	(3,956)
Loss for the year	11	(27,811,054)	(621,498)

LA MANZANILLA (UK) LIMITED

BALANCE SHEET AS AT 31 OCTOBER 2011

	Notes	2011 €	€	2010 €	€
Fixed assets					
Tangible assets	6	-	-	-	-
Investments	7	1,439,264		29,105,763	
		<u>1,439,264</u>		<u>29,105,763</u>	
Current assets					
Debtors	8	271,591		257,813	
Cash at bank and in hand		1,471		9,875	
		<u>273,062</u>		<u>267,688</u>	
Creditors: amounts falling due within one year:	9	<u>(29,539,793)</u>		<u>(29,389,864)</u>	
Net current liabilities		<u>(29,266,731)</u>		<u>(29,122,176)</u>	
Total assets less current liabilities		<u>(27,827,467)</u>		<u>(16,413)</u>	
Capital and reserves					
Called up share capital	10	72,223		72,223	
Share premium account	11	817,433		817,433	
Profit and loss account	11	<u>(28,717,123)</u>		<u>(906,069)</u>	
Shareholders' funds		<u>(27,827,467)</u>		<u>(16,413)</u>	

LA MANZANILLA (UK) LIMITED

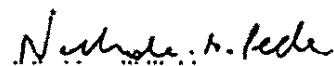
BALANCE SHEET (CONTINUED) AS AT 31 OCTOBER 2011

For the financial year ended 31 October 2011 the company was entitled to exemption from audit under section 477 Companies Act 2006. No member of the company has deposited a notice, pursuant to section 476, requiring an audit of these financial statements under the requirements of the Companies Act 2006

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Approved by the Board for issue on 30 July 2012



N Peele
Director

Company Registration No. 04529068

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Going Concern

The company has committed to pay €6,192,904 (2010: €6,192,104) to the ex shareholders of Byblos Country Club Golf S.A and Kamelosa Properties Inc, the subsidiary undertakings, 15 days after the final approval of planning permission has been granted. The company expects to be able to pay this using trading profits derived from the subsidiary. However, at the date these financial statements were approved these profits have not been realised and there is therefore an element of uncertainty surrounding the settlement of this liability. The subsidiary entered into a contract to sell part of the plot to a third party for approximately €53m, whereby €18m has been received, €12m is due within 15 days of final approval of the zoning partial plan being published and €23m is receivable within 15 days of the receipt of urbanisation by the Town Hall after completion of construction work and start up of the Golf Club and Course. The third party went into liquidation in 2011 and lawyers have been unable to advise the directors whether the €35m is still payable. If the third party is unable to make the payments when due the directors will seek other buyers for the land which will be used to fund payments to the ex shareholders and other creditors.

Excluding profit on foreign exchange and the provision for diminution in value of investments, the company has incurred losses of €163,621 in the current year.

The financial statements have been prepared on a going concern basis which is dependent on the sale of the subsidiary's land at a price sufficient to cover all liabilities and ongoing financial support from the shareholders.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% on cost
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1.4 Investments

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

1.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into euro's at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Closing Rate 1.1447€:£

Average Rate 1.1523€:£

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2011

1 Accounting policies (continued)

1.6 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 399 of the Companies Act 2006 not to prepare group accounts.

2 Operating loss	2011 €	2010 €
Operating loss is stated after charging.		
Auditors' remuneration	2,877	12,541

3 Investment income	2011 €	2010 €
Bank interest	-	1

4 Amounts written off investments	2011 €	2010 €
Amounts written off fixed asset investments.		
- permanent diminution in value	27,666,499	-

5 Taxation	2011 €	2010 €
Domestic current year tax		
Adjustment for prior years	-	3,958
Total current tax	-	3,956

On the basis of these financial statements no provision has been made for corporation tax

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2011

6 Tangible fixed assets

	Computer equipment
	€
Cost	
At 1 November 2010 & at 31 October 2011	726
Depreciation	
At 1 November 2010 & at 31 October 2011	726
Net book value	
At 31 October 2011	-
At 31 October 2010	-

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2011

7 Fixed asset investments

	Shares in group undertakings and participating interests €
Cost	
At 1 November 2010 & at 31 October 2011	29,105,763
Provisions for diminution in value	
At 1 November 2010	-
Charge for the year	27,666,499
At 31 October 2011	27,666,499
Net book value	
At 31 October 2011	1,439,264
At 31 October 2010	29,105,763

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Byblos Country Club Golf S.A.	Spain	Ordinary	100 00
Kamelosa Properties Inc	Panama	Ordinary	100 00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2010 €	Profit/(loss) for the year 2010 €
	Principal activity		
Byblos Country Club Golf S.A.	Property development	3,043,978	(171)
Kamelosa Properties Inc	Dormant	-	-

The directors have reviewed the value of investments in light of the current economic climate of the territory in which the underlying assets exist. Following this review the directors have estimated the likely recoverable value of investments at the balance sheet date is €1,439,264. Accordingly the directors have recognised a provision for diminution in value of €27,666,499.

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2011

8 Debtors	2011	2010
	€	€
Other debtors	271,591	257,813
	<u>271,591</u>	<u>257,813</u>
9 Creditors: amounts falling due within one year	2011	2010
	€	€
Trade creditors	932,594	939,617
Taxation and social security	-	3,956
Other creditors	28,607,199	28,446,291
	<u>29,539,793</u>	<u>29,389,864</u>

Included in other creditors are secured loans of €2,057,063 (2010: €2,067,892). These loans are secured by way of a fixed charge against the shares of the company. 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. These loans will be settled in GBP of £1,797,031 (2010: £1,797,031).

10 Share capital	2011	2010
	€	€
Allotted, called up and fully paid		
39,026 Ordinary shares of £1 each	64,059	64,059
4,974 Deferred shares of £1 each	8,164	8,164
	<u>72,223</u>	<u>72,223</u>

Ordinary share capital, deferred share capital and the associated share premium account are denominated in GBP with a nominal value of £1. Both the ordinary share capital and the associated share premium are translated into Euros at the historic exchange rate in effect at the time of issue.

Ordinary shares entitle the holder to one vote for each ordinary share held by him. Deferred shares do not confer on the holders any rights to receive or to attend and vote at any general meeting of the company. In the event that a distribution per ordinary share in excess of £500,000 has been achieved/declared, the holders of deferred shares shall be entitled to receive the remaining distribution/dividend on a pro-rate basis to all other shares of any class in the share capital of the company.

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2011

11 Statement of movements on reserves

	Share premium account €	Profit and loss account €
Balance at 1 November 2010	817,433	(906,069)
Loss for the year	-	(27,811,054)
Balance at 31 October 2011	<u>817,433</u>	<u>(28,717,123)</u>

12 Contingent liabilities

At the balance sheet date the company had creditors of €1,602,580 (2010: €1,610,980) which are payable upon the opening of the golf course. Upon settlement of these creditors a further amount of €4,807,740 (2010: €4,832,940) will become payable resulting in a total liability of €6,410,320 (2010: €6,443,920). No provision has been created in respect of the additional €4,807,740 (2010: €4,832,940) as there is no obligation to settle this amount until the golf course opens, the date of which cannot be reliably estimated at this time. The above creditors recognised in the balance sheet will be settled in GBP of £1,400,000 (2010: £1,400,000).

At the balance sheet date the company owed an amount of €454,481 (2010: €456,872) to O Sandoy, a director. This amount will be settled in GBP of £397,031 (2010: £397,031). This amount is repayable on demand when sufficient distributable reserves are available. Interest is accruing monthly on the loan at a rate of 2% above LIBOR. At 31 October 2011 accrued interest of €182,272 (2010: €172,721) was payable in addition to the capital repayment. Interest will be settled in GBP of £159,231 (2010: £150,099). No provision for interest accruing has been made as there is no certainty that the company will have sufficient distributable reserves to make payment.

13 Control

The company is controlled by the directors by virtue of their combined majority holding in the company.

LA MANZANILLA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2011

14 Related party relationships and transactions

Loans to/(from) directors

At the balance sheet date, the company owed M Lovett €16,354 (2010: €16,440). This amount will be settled in GBP of £14,287 (2010: £14,287)

At the balance sheet date, the company owed O Sandoy €454,481 (2010: €456,872). The loan is repayable on demand when sufficient distributable reserves are available.

At the balance sheet date the company owed N Peele €83,086, (£72,583); (2010: €Nil)

Other transactions

At the Balance Sheet date the company owed an amount of €490,218, (£428,250) to David Beamish Limited (2010: €403,072, £350,250)

The amount owed to David Beamish Limited is secured by way of a debenture for £441,005. The debenture was raised on 26 March 2012.

At the balance sheet date the company was owed an amount of €131,015 (2010: €131,704) from Springfield Limited this amount is payable in GBP sterling of £114,454. Springfield Limited is controlled by D Nordset, director.

At the balance sheet date the company owed an amount of €39,254 (2010: €41,717) to NP Consultants Limited. NP Consultants Limited is controlled by N Peele, director

At the balance sheet date the company owed an amount of €19,310,728 (2010: €19,359,460) to Byblos Country Club Golf S.A.