

OWNERS COMMUNITY
LA CALA HILLS FASE 1

Financial Statement as at 30 September 2006

(Prepared by Fay & Co.)

	Notes	30.09.2004
Assets		
Cash and bank	(3)	38,448.91
Fund deposit	(4)	40,000.00
Owners debtor balances	(2)	19,107.80
Other debtors	(5)	10,776.72
Total assets		108,333.43
Liabilities		
Owners credit balances	(2)	5,299.06
Suppliers	(6)	7,340.74
Provision	(7)	22,552.62
Item pending application	(8)	474.64
Total liabilities		35,667.06
Community Fund		
Accumulated surplus		65,605.06
Surplus for the period		7,061.31
Total Community Fund at 30.9.06		72,666.37
Total liabilities and community fund		108,333.43

Owners community
La Cala Hills Fase 1

Financial Statements as at 30 September 2006

	Notes	30.9.2006	Budget	Difference
Income				
Ordinary quotas	(9)	377,000.97	386,666.00	9,665.03-
Total Income		377,000.97	386,666.00	9,665.03-
Expenses				
Garden maintenance		87,000.00	87,000.00	0.00
Garden miscellaneous	(10)	6,302.72	4,000.00	2,302.72
Pool miscellaneous		4,163.33	3,250.00	913.33
General repairs	(11)	10,853.57	10,000.00	853.57
Pest Control		0	1,200.00	1,200.00-
Fire security system maintenance		300..70	1,000.00	699.30-
Lift Maintenance		13,108.76	12,000.00	1,108.76
Intercom expenses		2,536.78	3,000.00	463.22-
Intercom and Digital Maintenance		2,960.39	3,000.00	39.61-
ADSL Quotas Expenses		26,589.44	28,000.00	1,410.56-
Telephone		1,739.50	0	1,739.50
Security 24h Quotas Expenses		72,000.00	72,000.00	0
Stairway Cleaning		37,322.59	36,000.00	1,322.59
Insurance		5,668.99	6,000.00	331.01-
Water		28,231.98	20,000.00	8,231.98
Electricity		16,943.99	18,000.00	1,056.01-
Administration		15,333.50	15,000.00	333.50
Office Materials		1,229.67	1,000.00	229.67
Bank Charges		1,466.57	1,200.00	266.57
Prompt Payment Discount		22,924.27	38,666.00	15,741.73-
Reserve Fund			16,350.00	16,350.00-
Unforseen	(12)	7,959.48	10,000.00	2,040.52-
Total expenses		364,636.23	386,666.00	22,029.77-
ORDINARY RESULT		12,364.74	0.00	12,364.74
Mapfre Income		182.47	0.00	182.47
Owners Income Insurance		2,256.00	0.00	2,256.00
Owners Expenses Ins. Nov 04 (13)		-7,741.90	0.00	-7,741.90
Extraordinary result		-5,303.43	0.00	-5,303.43
SURPLUS FOR THE PERIOD		7,061.31	0.00	7,061.31

Notes to the Financial Statements

1. 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 to be 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 1,500	2	5,118.94	26.79%
Balances 800 – 1500 Euros	14	12,132.25	63.49%
Balances under Euros 800	10	1,856.61	9.72%
Total debt balance	26	19,107.80	100%
Credit balance	13	5,299.06	
Total net balance		13,808.74	

3. Cash and Bank

This caption at 30.9.2006 is made up as follows :

	Euros
Cash	0.00
Bank	38,448.91
Total	38,448.91

4. Fund Deposit

The Community has two Investment Funds of euros 20,000 each paid on 9 March and 15 September 2006 respectively and with expire to one year..

5. Other Debtors

At 30 September 2006 this caption is made up as follows :

	Euros
Lawyers Provision of Funds	3,500.00
Owners Community La Cala Hills Phase II	1,512.61
Owners Community La Cala Hills Phase III	2,917.18
President	1,056.00
Treasurer	606.10
Other Debtors	1,184.83
Total Other Debtors	10,776.72

6. Suppliers

At 30 September 2006 this caption is made up as follows :

	Euros
Vipama Sport SL	841.00
Schindler	2,607.04
Junta de Compensacion	496.77
Goextin SL	300.70
Other Suppliers	3,095.23
Total Suppliers	7,340.74

7. Provision for invoices pending to receive

This caption is made up as follows :

	Euros
Water	13,500.00
Administration Fees	1,250.00
Garden and Pool Maintenance	7,250.00
Other	552.62
Total	22,552.62

8. Items pending of Application

This balance is due to an income collect of the date at 16 October 2003 pending to be identified.

9. Ordinary Quotas

The quotas charged have been lower than the Budget approved in the Annual General Meeting due to the fourth quarter of 2005 being charged in accordance with the prior year budget and this quota has not been regularised lately according to the new Budget.

10. Garden Miscellaneous

This caption at 30 September 2006 is made up as follows :

	Euros
Container	478.91
Plants	1,455.20
Garbage	478.85
Rocalla Stone and Land	2,820.00
Various	1,069.76
Total Garden Miscellaneous	6,302.72

11. General Repairs

This caption at 30 September 2006 is made up as follows :

	Euros
Repair doors	722.47
Repair Roofs, racks etc	3,912.19
Electrical Repairs	2,341.15
Repair Antenna	1,266.80
Repair cistern, engines and irrigations	2,310.28
Other Repairs	300.68
Total General Repairs	10,853.57

12. Unforeseen

This caption at 30 September 2006 is made up as follows :

	Euros
Expenses Annual General Meeting	814.07
Uniforms	418.27
Lawyers and Attorney	1,558.42
Audit, Labour Risk Prevention and	
Notary Fees	3,682.01
Other Unforeseen	1,486.71
Total Unforeseen	7,959.48

13. Owners Expenses Insurance

This caption is composed by three payments done in November 2004 to the Mutual General of Assurances for an amount of euros 7,741.90

**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, 2006, 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 2006.
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. In our opinion except for the effects of any adjustments that may have been considered necessary if we should know the final outcome of the uncertainty described in paragraph 3, 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 2006 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