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Auditors' Report
To The Members of the
Owners' Community
LA CALA HILLS FASE 1
Mijas

To The Members of the Owners' Community "La Cala Hills Fase I"

I have audited the financial statements of the Owners' Community **La Cala Hills Fase I**, consisting of the balance sheet as at 30th September 2007, 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 mercantile law. Nevertheless, the financial statements have been prepared in accordance with generally accepted accounting principles. My responsibility is to express an opinion on the financial statements taken as a whole, based on the work carried out in accordance with the 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.

My opinion refers exclusively to the financial statements of the year ended 30th September 2007.

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, which cannot be quantified objectively.

In my 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 I** at 30th September 2007, 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).

IAN. T. LEADER, FCA
HONORARY AUDITOR

OWNERS' COMMUNITY LA CALA HILLS FASE I**INCOME & EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2007**

		2007	2006
	NOTES	EUROS	EUROS
INCOME		386,668.24	377,000.00
EXPENDITURE			
GARDEN MAINTENANCE		87,000.00	87,000.00
GARDEN MISCELLANEOUS	8	7,499.84	6,303.00
POOL MAINTENANCE	9	8,145.13	4,163.00
GENERAL REPAIRS	10	12,636.07	10,854.00
FIRE SECURITY SYSTEM MAINTENANCE		318.00	301.00
LIFT MAINTENANCE		13,928.79	14,848.00
INTERCOM & DIGITAL MAINTENANCE		3,236.69	2,960.00
INTERCOM EXPENSES		1,632.50	2,537.00
ADSL QUOTAS EXPENSES		24,927.64	26,589.00
SECURITY		72,000.00	72,000.00
CLEANING COMMUNAL AREAS		41,797.41	37,656.00
PEST CONTROL		1,240.10	0.00
BUILDINGS INSURANCE		6,386.79	5,669.00
WATER		22,175.27	28,232.00
ELECTRICITY		20,210.38	15,880.00
ADMINISTRATION		15,000.00	15,000.00
OFFICE MATERIALS		1,106.54	1,230.00
BANK CHANGES		1,492.09	1,428.00
PROMPT PAYMENT DISCOUNT		43,355.20	22,924.00
UNFORSEEN EXPENSES	11	24,763.00	7,960.00
TOTAL EXPENSES		408,851.44	363,534.00
SURPLUS (DEFICIT) BEFORE EXCEPTIONAL ITEMS		-22,183.20	13,467.00
EXCEPTIONAL ITEMS			
OWNERS EXPENSES INSURANCE		0.00	-7,741.00
INCOME FROM MAPFRE		1,608.51	2,438.00
BLOCK 5, STORE ROOM RENTAL		700.00	0.00
SURPLUS (DEFICIT) AFTER EXCEPTIONAL ITEMS		-19,874.69	8,164.00

OWNERS' COMMUNITY LA CALA HILLS FASE I**BALANCE SHEET AS AT 30TH SEPTEMBER 2007**

	NOTES	2007 EUROS	2006 EUROS
ASSETS			
CASH & BANK		22,243.33	44,424.00
FUND DEPOSIT	2	60,000.00	40,000.00
OWNERS DEBTOR BALANCES	3	12,881.19	21,457.00
OTHER DEBTORS	4	11,426.87	10,777.00
TOTAL ASSESTS		106,551.39	116,658.00
LIABILITIES			
OWNERS CREDIT BALANCES	3	3,425.17	3,418.00
SUPPLIERS	5	23,611.53	7,602.00
PROVISIONS	6	25,145.58	31,394.00
ITEM PENDING APPLICATION	7	475.12	475.00
CURRENT LIABILITIES		52,657.40	42,889.00
COMMUNITY FUND			
ACCUMULATED SURPLUS		73,768.68	65,605.00
SURPLUS (DEFICIT) FOR THE YEAR		-19,874.69	8,164.00
TOTAL COMMUNITY FUND		53,893.99	73,769.00
TOTAL LIABILITIES		106,551.39	116,658.00

NOTES TO THE ACCOUNTS**1. Accounting Principles**

The accounting treatment of assets acquired by the 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's balances in respect of doubtful debts. Exceptionally, uncollectible 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; uncollectible 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 statements as liabilities.

2. Fund Deposit

The Community has three investment funds of Euros 20,000 each with expiry dates of 9th March, 8th August and 16th September 2008 respectively.

3 OWNERS BALANCES

THIS BALANCE IS ANALYSED AS FOLLOWS:

	NO.	EUROS	%
BALANCES > EUROS 1,500	2	7,126.02	55.32
BALANCES > EUROS 800 - 1,500	4	3,753.88	29.14
BALANCES > EUROS 800	4	2,001.29	15.54
TOTAL DEBTOR BALANCES	10	12,881.19	100.00

TOTAL CREDITOR BALANCES**15 3,425.17****4 OTHER DEBTORS**

EUROS

LAWYERS PROVISION OF FUNDS	3,500.00
OWNER'S COMMUNITY LA CALA HILLS PHASE 2	2,550.02
OWNER'S COMMUNITY LA CALA HILLS PHASE 3	2,097.16
OWNER'S COMMUNITY LA CALA HILLS PHASE 4	693.39
OWNER'S COMMUNITY LA CALA HILLS PHASE	1,139.13
PRESIDENT	156.00
TREASURER	606.34
OTHER DEBTORS	684.83
	11,426.87

5 SUPPLIERS

EUROS

VIPAMA SPORT SL	841.00
INSTALACIONES PACHECO	417.16
INTERCALA ASESORES SL	1,250.00
JUNTA DE COMPENSACION	496.77
PROSAGAR SL	1,720.00
PISCINAS SALVA	15,298.38
GOEXTIN SL	300.70
OTHER SUPPLIERS	3,287.08
	23,611.53

6 PROVISION FOR INVOICES PENDING RECEIPT

EUROS

Provision sep 2006	211,58
Porteros y Telecomunicaciones /	273,00
Intercom expenses	400,00
Limpieza escaleras / Starway cleaning	2.000,00
Análisis/ Pool analysis	585,00
24 Hrs Seguridad / Security	6.000,00
Seguridad Social / Social Security	900,00
Gestoria / Labour Adviser	26,00
Garden & Pool	
Maintenance	7.250,00
Water	7.500,00

25,145.58**7. Item Pending Application**

This balance relates to income collect dated 16th October 2003 transferred from previous Administrator but not yet identified.

8	GARDEN MISCELLANEOUS	EUROS
	SKIPS	1,561.85
	PLANTS, FERTILIZER & ROCKERY	2,689.70
	GARBAGE COLLECTION	1,487.00
	SUNDRY	1,761.29
		7,499.84
9	POOL MAINTENANCE	EUROS
	POOL SIGNS	418.97
	FIRST AID KITS	158.39
	UNDERWATER TILE REPAIRS	590.00
	PUMP REPAIRS	1,756.65
	CHANGE OF FILTER SYSTEM AND SAND	3,645.90
	POOL ANALYSIS	1,501.22
	SUNDRY	74.00
		8,145.13
10	GENERAL REPAIRS	EUROS
	TRAFFIC SIGN	232.00
	GATE REPAIRS	500.00
	UNBLOCKING DRAINS	499.96
	MANHOLE REPAIRS	550.00
	TV UPGRADING	2,002.60
	SPRINKLER REPAIRS	420.04
	ELECTRICITY REPAIRS	1,127.81
	SECURITY HOUSE	472.81
	BRICKLAYING	5,015.91
	POOL TOILETS FITTINGS	520.74
	BOLLARDS	823.60
	CLEANING MACHINE	149.95
	REPAIR TO FENCING	320.65
		12,636.07
11	UNFORSEEN EXPENSES	EUROS
	TECHNICAL REPORT	2,320.00
	AUDIT FEE 2005/2006	3,227.72
	INTERPRETER	493.00
	TIP TO SECURITY STAFF	250.00
	AGM REFRESHMENTS	42.30
	UNIFORMS	441.37
	LEGAL FEES	365.57
	AGM EXPENSES	280.00
	HEALTH & SAFETY	540.08
	POOL INSPECTION	43.27
	CAT STERILIZATION AND SUNDRY	611.31
	CHRISTMAS PRESENT	850.00
	INSTALATION OF COMPUTERISED POOL MONITORINGSYSTEM	15,298.38
		24,763.00