

LOS CLAVELES (TWO) LIMITED
Registered in Scotland No. 120452
Report of the Directors

The directors herewith present their report together with the unaudited financial statement for the year ended 31st December, 1999.

Activities

The principal activity of the company is that of holding legal title to property situated at Club Los Claveles, Asomada de los Ceres, Los Cristianos, Tenerife, Canary Islands. The property is held by the company for the benefit of the holders of timeshare membership certificates who are members of Club Los Claveles, a club formed with the objects of securing occupation rights of the property for its members. The legal title to the property was transferred to the company in accordance with the Constitution of the Club and as laid out in a Trust Deed, dated 5th April, 1990.

No income has accrued to the company during the period. All expenditure in relation to the management and maintenance of the company is borne by third parties on behalf of the members of Club Los Claveles in accordance with the Constitution of the Club and a Management Agreement, dated 5th April, 1990.

Directors

The directors of the company throughout the period were:-

Alastair Charles Peter McLean (resigned 14th April 2000)
Philip Michael Broomhead
Paul Frederick Frances Gardner-Bougaard

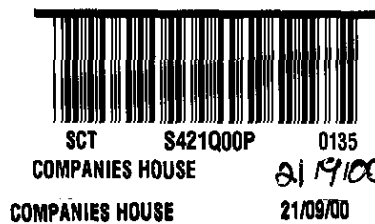
Secretary

The secretaries of the company throughout the period were:
FNTC (Secretaries) Limited

Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year 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 the profit or loss for that period. In preparing the 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.



LOS CLAVELES (TWO) LIMITED
Report of the Directors (continued)

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 of the company 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.

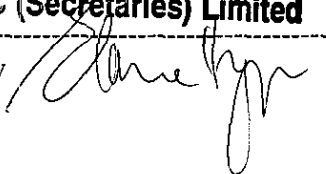
Audit

The company is exempt from audit under the provisions of the Companies Act 1985 (Audit Exemption) Regulations 1994.

By order of the Board the 17th August 2000

For and on behalf of
FNTC (Secretaries) Limited

Secretary

A handwritten signature in black ink, appearing to be 'D. M. H. J.', is written over a horizontal dashed line.

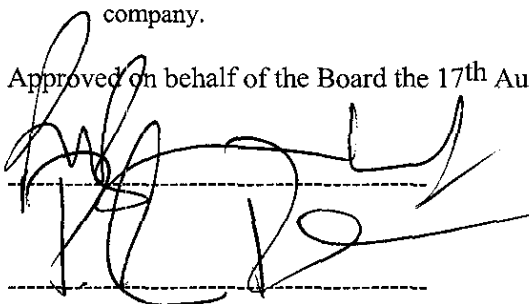
LOS CLAVELES (TWO) LIMITED
Balance Sheet as at 31st December, 1999

| | Note | 1999 £ | 1998 £ |
|-----------------------------|------|-----------|-----------|
| ASSETS | | | |
| Debtors | | 100 | 100 |
| Land and Buildings | 2 | - | - |
| | | ----- | ----- |
| | | £100 | £100 |
| | | ===== | ===== |
| CAPITAL AND RESERVES | | | |
| Share Capital | 4 | 100 | 100 |
| | | ----- | ----- |
| | | £100 | £100 |
| | | ===== | ===== |

Notes to the financial statements:

- Accounting Policies
The financial statements have been prepared under the historical cost convention with the exception of property which is shown at valuation.
- Los Claveles (Two) Limited holds legal title to property situated at Club Los Claveles, Asomada de los Ceres, Los Cristianos, Tenerife, Canary Islands. The property was transferred to the company in accordance with the terms of the Constitution and Trust Deed of Club Los Claveles and the company holds no occupational rights or residual equity interest in the property. The property is therefore shown at nil value.
- The company has not derived income from any activity during the year and any expenses attributable to the company have been met by third parties. No Profit and Loss Account has therefore been prepared. There are no recognized gains or losses.
- The authorized share capital is £100, divided into 100 ordinary shares of £1 each, all of which have been issued and fully paid. The issued shares in the company are held by the Trustee (First National Trustee Company Limited) on behalf of the members from time to time of Club Los Claveles
- There has been no movement on shareholders' funds during the year.
- Statements by the directors required under the Companies Act 1985 (Audit Exemption) Regulations 1994**
The company was entitled to the exemption conferred by subsection (1) of section 249A for the year ended 31st December, 1999.
No notice has been deposited under subsection (2) of section 249B in relation to the accounts for the year ended 31st December, 1999.
The directors acknowledge their responsibilities for
(i) ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and
(ii) preparing accounts 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 section 226 and which otherwise comply with the requirements of the Act relating to accounts, so far as applicable to the company.

Approved on behalf of the Board the 17th August 2000



Directors