

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005
FOR
TARUMA HOLDINGS LIMITED**



Richards Associates Limited
Registered Auditors
Farriers Lodge
8 Coach House Rise
Wilnecote
Staffordshire
B77 5HD

TARUMA HOLDINGS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2005**

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TARUMA HOLDINGS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS: Mr D R Rychner
Ms A Coughlan (Resigned on 22/12/2006)
Mr G P Wilson (Appointed on 22/12/2006)

SECRETARY: Mr G P Wilson

REGISTERED OFFICE: 26 Grosvenor Street
Mayfair
London
W1K 4QW

REGISTERED NUMBER: 3611028 (England and Wales)

AUDITORS: Richards Associates Limited
Registered Auditors
Farriers Lodge
8 Coach House Rise
Wilnecote
Staffordshire
B77 5HD

TARUMA HOLDINGS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report with the financial statements of the company for the year ended 31 December 2005

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a holding and investment company

DIRECTORS

The directors holding office under the year of review were

Mr D R Rychner
Ms A Coughlan

Mr D R Rychner has held office during the whole of the period from 1 January 2005 to the date of this report. The directors holding office at 31 December 2005 did not hold any beneficial interest in the issued share capital of the company at 1 January 2005 or 31 December 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Richards Associates Limited, 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:



Mr G Wilson - Secretary

Date 24/4/07

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF TARUMA HOLDINGS LIMITED

We have audited the financial statements of Taruma Holdings Limited for the year ended 31 December 2005 on pages four to nine. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

Richards Associates Ltd.

Richards Associates Limited
Registered Auditors
Farriers Lodge
8 Coach House Rise
Wilnecote
Staffordshire
B77 5HD

Date *25/4/07*

TARUMA HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
TURNOVER		11,478	106,947
Cost of sales		<u>5,309</u>	<u>52,529</u>
GROSS PROFIT		6,169	54,418
Administrative expenses		<u>51,816</u>	<u>16,117</u>
OPERATING (LOSS)/PROFIT	2	(45,647)	38,301
Interest receivable and similar income		<u>613</u>	<u>1,985</u>
		(45,034)	40,286
Interest payable and similar charges		<u>(5,847)</u>	<u>1,420</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(39,187)	38,866
Tax on (loss)/profit on ordinary activities	3	<u>287</u>	<u>14,461</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(39,474)</u>	<u>24,405</u>

The notes form part of these financial statements

TARUMA HOLDINGS LIMITED

**BALANCE SHEET
31 DECEMBER 2005**

	Notes	2005 £	2004 £
FIXED ASSETS			
Investments	4	273,984	273,984
CURRENT ASSETS			
Debtors	5	1,148	865,962
Cash at bank		<u>38,481</u>	<u>25,484</u>
		39,629	891,446
CREDITORS			
Amounts falling due within one year	6	<u>298,273</u>	<u>1,110,616</u>
NET CURRENT LIABILITIES		<u>(258,644)</u>	<u>(219,170)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,340</u>	<u>54,814</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account	9	<u>15,240</u>	<u>54,714</u>
SHAREHOLDERS' FUNDS		<u>15,340</u>	<u>54,814</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 January 2005)

The financial statements were approved by the Board of Directors on its behalf by

24/4/07

and were signed on



Mr G P Wilson - Director

The notes form part of these financial statements

TARUMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 January 2005)

Turnover

Turnover represents gross interest earned in the year (including withholding tax suffered)

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.

2 OPERATING (LOSS)/PROFIT

The operating loss (2004 - operating profit) is stated after charging

	2005 £	2004 £
Auditors' remuneration	<u>3,235</u>	<u>3,290</u>
Directors' emoluments and other benefits etc	<u>-</u>	<u>-</u>

3 TAXATION

Analysis of the tax charge

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

	2005 £	2004 £
Current tax		
UK corporation tax	-	5,836
Under/over provision of tax in prior years	-	6,528
Overseas tax suffered	<u>287</u>	<u>2,097</u>
Tax on (loss)/profit on ordinary activities	<u>287</u>	<u>14,461</u>

4 FIXED ASSET INVESTMENTS

COST

At 1 January 2005
and 31 December 2005

Unlisted
investments
£

273,984

NET BOOK VALUE

At 31 December 2005

273,984

At 31 December 2004

273,984

TARUMA HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2005**

4 FIXED ASSET INVESTMENTS - continued

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

Attività Turistiche Imprenditoriali - A.T.I. S.p.A.

Country of incorporation Italy

Nature of business Construction

	%		
Class of shares	holding		
Ordinary	48 00		
		2005	2004
		£	£
Aggregate capital and reserves		1,334,550	1,334,682
(Loss)/Profit for the year		<u>(129)</u>	<u>68,484</u>

5 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Other debtors	<u>1,148</u>	<u>865,962</u>

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank loans and overdrafts	114	849,674
Trade creditors	69,441	17,545
Taxation and social security	-	5,836
Other creditors	<u>228,718</u>	<u>237,561</u>
	<u>298,273</u>	<u>1,110,616</u>

The other creditor includes a loan from the parent company of £217,118 (2004 £222,706) This loan is interest free

7 SECURED DEBTS

The following secured debts are included within creditors

	2005	2004
	£	£
HSBC Libor Loan	<u>-</u>	<u>849,600</u>

HSBC Bank PLC hold an all monies and liabilities debenture dated 24 December 1998 This bank loan was due to expire on 24 December 2002 but on 9 July 2003, 31 December 2003, 12 January 2005 and 21 March 2005 extensions were granted to the company by HSBC with all other terms remaining as per normal The loan was repaid in full on 29 April 2005, and the debenture discharged by HSBC

TARUMA HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2005**

8 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value £1	2005 £ <u>100,000</u>	2004 £ <u>100,000</u>
100,000	Ordinary			

Allotted, issued and fully paid Number	Class	Nominal value £1	2005 £ <u>100</u>	2004 £ <u>100</u>
100	Ordinary			

9 RESERVES

	Profit and loss account £
At 1 January 2005	54,714
Deficit for the year	<u>(39,474)</u>
At 31 December 2005	<u>15,240</u>

10 ULTIMATE PARENT COMPANY

The ultimate parent company is Tarpony Commercial S A , a company incorporated in the British Virgin Islands Group accounts are available from Paesa Estate, Road Town, Tortola, British Virgin Islands

TARUMA HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2005**

11 RELATED PARTY DISCLOSURES

Attivita Turistiche Imprenditoriali - A T.I S.p.A

At the balance sheet date, the year end balance and value of transactions that took place with Attivita Turistiche Imprenditoriali - A T I S p A , a company in which Taruma own a 48% holding, were as follows -

	2005 £	2004 £
Income		
Interest income	11,478	106,947
Debtors		
Fixed interest loan to A T I S p A	Nil	849,600

RFW Associates

Mr D Rychner is a director of Taruma Holdings Limited, at the balance sheet date, the year end balance and value of transactions that took place with RFW Associates, a company in which Mr D Rychner is also a director, were as follows -

	2005 £	2004 £
Expenditure		
Professional fees	21,312	41,666
Creditors		
Trade creditor	37,490	17,545

TARUMA HOLDINGS LIMITED
TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004
	£	£	£
Interest income		11,478	106,947
Cost of sales			
Bank loan interest		<u>5,309</u>	<u>52,529</u>
GROSS PROFIT		6,169	54,418
Other income			
Deposit account interest		<u>613</u>	<u>1,985</u>
		6,782	56,403
Expenditure			
Sundry expenses	-		3
Professional fees	47,934		13,243
Auditors' remuneration	<u>3,235</u>		<u>3,290</u>
		<u>51,169</u>	<u>16,536</u>
		(44,387)	39,867
Finance costs			
Bank charges	647		(419)
Foreign exchange (unrealised)	<u>(5,847)</u>		<u>1,420</u>
		<u>(5,200)</u>	<u>1,001</u>
NET (LOSS)/PROFIT		<u><u>(39,187)</u></u>	<u><u>38,866</u></u>

This page does not form part of the statutory financial statements