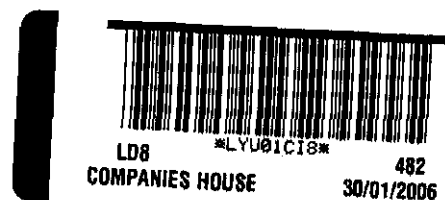


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**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
FOR
TARUMA HOLDINGS LIMITED**



TARUMA HOLDINGS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2004**

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TARUMA HOLDINGS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS: Mr. D R Rychner
Ms A Coughlan

SECRETARY: Ms A Coughlan

REGISTERED OFFICE: 26 Grosvenor Street
Mayfair
London
W1K 4QW

REGISTERED NUMBER: 3611028 (England and Wales)

AUDITORS: WPA Audit Limited
26 Grosvenor Street
Mayfair
London
W1K 4QW

TARUMA HOLDINGS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report with the financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

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

DIRECTORS

The directors during the year under review were:

Mr. D R Rychner

Mr. L E Fox

Ms A Coughlan

- resigned 2.2.04

- appointed 2.2.04

The directors holding office at 31 December 2004 did not hold any beneficial interest in the issued share capital of the company at 1 January 2004 (or date of appointment if later) or 31 December 2004.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

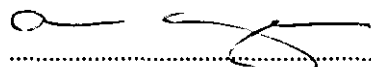
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, WPA Audit Limited, Chartered Accountants & Registered Auditors, 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:



Ms A Coughlan - Secretary

Date: 19 January 2006

**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 2004 on pages four to ten. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WPA Audit Limited

WPA Audit Limited
Chartered Accountants
& Registered Auditors
26 Grosvenor Street
Mayfair
London
W1K 4QW

Date: 19/1/06

TARUMA HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004		2003	
		£	£	£	£
TURNOVER			106,947		120,495
Cost of sales			<u>52,529</u>		<u>65,082</u>
GROSS PROFIT			54,418		55,413
Administrative expenses			<u>16,117</u>		<u>51,139</u>
			38,301		4,274
Other operating income			<u>1,985</u>		<u>5,949</u>
OPERATING PROFIT	2		40,286		10,223
Interest payable and similar charges			<u>1,420</u>		<u>7,930</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			38,866		2,293
Tax on profit on ordinary activities	3		<u>14,461</u>		<u>16,091</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			24,405		(13,798)
Retained profit brought forward:					
As previously reported		30,309		75,628	
Prior year adjustments	4	<u>-</u>		<u>(31,521)</u>	
As restated			<u>30,309</u>		<u>44,107</u>
RETAINED PROFIT CARRIED FORWARD			<u>£54,714</u>		<u>£30,309</u>

The notes form part of these financial statements

TARUMA HOLDINGS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<u>2004</u>	<u>2003</u>
	£	£
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	24,405	(13,798)
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>£24,405</u>	(13,798)
Prior year adjustment		<u>(31,521)</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u>£(45,319)</u>

The notes form part of these financial statements

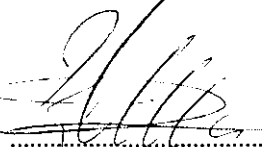
TARUMA HOLDINGS LIMITED

**BALANCE SHEET
31 DECEMBER 2004**

		2004		2003	
	Notes	£	£	£	£
FIXED ASSETS:					
Investments	5		273,984		273,984
CURRENT ASSETS:					
Debtors	6	865,962		1,786,600	
Cash at bank		<u>25,484</u>		<u>134,852</u>	
		891,446		1,921,452	
CREDITORS: Amounts falling due within one year	7	<u>887,910</u>		<u>1,942,968</u>	
NET CURRENT ASSETS/(LIABILITIES):			<u>3,536</u>		<u>(21,516)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			277,520		252,468
CREDITORS: Amounts falling due after more than one year	8		<u>222,706</u>		<u>222,059</u>
			<u>£54,814</u>		<u>£30,409</u>
CAPITAL AND RESERVES:					
Called up share capital	9		100		100
Profit and loss account			<u>54,714</u>		<u>30,309</u>
SHAREHOLDERS' FUNDS:			<u>£54,814</u>		<u>£30,409</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 June 2002).

ON BEHALF OF THE BOARD:



.....
Mr. D R Rychner - Director

Approved by the Board on 19 January 2006

The notes form part of these financial statements

TARUMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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 June 2002).

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 PROFIT

The operating profit is stated after charging:

	2004 £	2003 £
Auditors' remuneration	<u>3,290</u>	<u>2,800</u>
Directors' emoluments and other benefits etc	<u>-</u>	<u>-</u>

3. TAXATION

Analysis of the tax charge

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

	2004 £	2003 £
Current tax:		
UK corporation tax @ 30%	5,836	3,067
Underprovision prior years	6,528	-
Overseas tax suffered	8,625	13,024
Overseas tax suffered - overprovision prior years	<u>(6,528)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>14,461</u>	<u>16,091</u>

4. PRIOR YEAR ADJUSTMENTS

In 2003 a shareholders loan totalling £31,521 was not recorded in the previous year accounts.

This was adjusted for in 2003 and a prior year adjustment was made in that year to restate the 2002 comparatives.

TARUMA HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

5. FIXED ASSET INVESTMENTS

	£	
COST:		
At 1 January 2004		
and 31 December 2004		<u>273,984</u>
NET BOOK VALUE:		
At 31 December 2004		<u>273,984</u>
At 31 December 2003		<u>273,984</u>
	2004	2003
	£	£
Unlisted investments	<u>273,984</u>	<u>273,984</u>

The company's investments at the balance sheet date in the share capital of unlisted 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

	2004	2003
	£	£
Aggregate capital and reserves	1,938,761	1,839,278
Profit for the year	<u>99,480</u>	<u>175,127</u>

**6. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2004	2003
	£	£
Withholding tax - recoverable	5,836	4,447
Prepayments & accrued income	10,526	13,550
Related party debtors	<u>849,600</u>	<u>1,768,603</u>
	<u>865,962</u>	<u>1,786,600</u>

TARUMA HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

**7. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2004 £	2003 £
Bank loans and overdrafts	849,674	1,861,020
Taxation	5,836	4,447
Accrued expenses	<u>32,400</u>	<u>77,501</u>
	<u><u>887,910</u></u>	<u><u>1,942,968</u></u>

**8. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	2004 £	2003 £
Shareholders loans	<u>222,706</u>	<u>222,059</u>

9. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2004 £	2003 £
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2004 £	2003 £
100	Ordinary	£1	<u>100</u>	<u>100</u>

10. ULTIMATE PARENT COMPANY

In the opinion of the directors, the ultimate controlling party 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.

11. RELATED PARTY DISCLOSURES

During the year the following transactions took place with Attivita Turistiche Imprenditoriali - A.T.I. S.p.A., in which the company owns a 48% holding.

	2004 £	2003 £
Income:		
Interest income	106,947	120,495
Debtors:		
Loan to A.T.I. S.p.A.	849,600	1,768,603

TARUMA HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

12. DEBENTURE AND SECURITY CHARGES

HSBC Bank PLC hold an all monies and liabilities Debenture dated 24 December 1998. In addition, the investment referred to at note 4 above is held as security on the 3 year bank loan recorded in the financial statements. 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. This extended loan facility was due to expire on 21 June 2005, however the balance of the loan was repaid on 29 April 2005.