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**Tarchon Capital Management  
Limited**

Report and Accounts  
*30 September 2004*

**Rees Pollock  
Chartered Accountants**



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OFFICERS AND PROFESSIONAL ADVISERS

<b>The Board of Directors</b>	P E Howard A Marolda A Varma
<b>Company Secretary</b>	SLC Registrars Limited
<b>Registered Office</b>	7th Floor 16 Berkeley Street London W1J 8DZ
<b>Auditors</b>	Rees Pollock 35 New Bridge Street London EC4V 6BW
<b>Bankers</b>	Royal Bank of Scotland 49 Charing Cross Road London SW1A 2DX
<b>Solicitors</b>	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
<b>Registered Number</b>	3684651

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DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 30 September 2004.

**Principal activities and review of the business**

The principal activity of the company during the year was investment management. The company will seek to continue to develop this business.

**Results and dividends**

The trading results for the year and the company's financial position at the end of the year are shown in the attached accounts.

The directors have not recommended a dividend.

**The directors and their interests in the shares of the company**

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 30 September 2004	At 1 October 2003
P E Howard	51,840	60,000
A Marolda	—	—
A Varma	10,800	—

**Directors' responsibilities**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts 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 accounts comply with the Companies Act 1985. The directors 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**

On 28 October 2003 an elective resolution was passed by the company to dispense with the obligation to appoint auditors annually.

Rees Pollock have expressed their willingness to continue in office, and in accordance with the elective resolution passed, are deemed reappointed as auditors for the succeeding year.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'A Marolda', written in a cursive style.

A Marolda  
Director

28 JANUARY 2005



# REESPOLLOCK

Chartered Accountants

35 New Bridge Street  
London EC4V 6BW  
Telephone 020 7778 7200  
Fax 020 7329 6408

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TARCHON CAPITAL MANAGEMENT LIMITED

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the accounts 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 Directors' Report is not consistent with the accounts, 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 Directors' Report 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 September 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock  
Chartered Accountants  
Registered Auditors

28 January 2005

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Partners: Andy Pollock FCA, Simon Rees FCA CTA, Johnny Mouldsdales FCA, Catherine Kimberlin FCA, Jonathan Munday FCA CTA<sup>4</sup>

Registered to carry on audit work and regulated for a range of investment business activities by The Institute of Chartered Accountants in England and Wales.

[www.reespollock.co.uk](http://www.reespollock.co.uk)

Tarchon Capital Management Limited

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 September 2004

	<b>Note</b>	<b>2004 £</b>	<b>2003 £</b>
<b>TURNOVER</b>	<b>2</b>	2,817,613	1,084,730
Administrative expenses		2,016,737	843,813
<b>OPERATING PROFIT</b>	<b>3</b>	800,876	240,917
Interest receivable		23,356	13,393
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		824,232	254,310
Tax on profit on ordinary activities	<b>6</b>	209,649	73,309
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		614,583	181,001
Balance brought forward		116,997	(64,004)
Balance carried forward		<u>731,580</u>	<u>116,997</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 13 form part of these accounts.

Tarchon Capital Management Limited

**BALANCE SHEET**

at 30 September 2004

	Note	£	2004 £	2003 £
<b>FIXED ASSETS</b>				
Tangible assets	7		480,065	—
<b>CURRENT ASSETS</b>				
Debtors	8	473,606		112,225
Cash at bank		1,510,322		736,681
		1,983,928		848,906
<b>CREDITORS: amounts falling due within one year</b>	9	1,132,413		131,909
<b>NET CURRENT ASSETS</b>			851,515	716,997
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,331,580</u>	<u>716,997</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	12		540,000	540,000
Capital redemption reserve	13		60,000	60,000
Profit and loss account			731,580	116,997
<b>SHAREHOLDERS' FUNDS</b>	14		<u>1,331,580</u>	<u>716,997</u>

A Marolda  
Director



28 JANUARY 2005

The notes on pages 8 to 13 form part of these accounts.

**CASH FLOW STATEMENT**

for the year ended 30 September 2004

	<b>Note</b>	<b>£</b>	<b>2004 £</b>	<b>2003 £</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>15</b>		<b>1,320,417</b>	<b>203,119</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received		<u>23,356</u>		<u>13,393</u>
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			<b>23,356</b>	<b>13,393</b>
<b>TAXATION</b>			<b>(71,645)</b>	<b>(10,592)</b>
<b>CAPITAL EXPENDITURE</b>				
Payments to acquire tangible fixed assets		<u>(498,487)</u>		<u>—</u>
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>			<b>(498,487)</b>	<b>—</b>
<b>INCREASE IN CASH</b>	<b>16</b>		<u><b>773,641</b></u>	<u><b>205,920</b></u>

The notes on pages 8 to 13 form part of these accounts.



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NOTES TO THE ACCOUNTS

for the year ended 30 September 2004

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	over the length of the lease
Plant & machinery	-	over two to five years

**Operating lease agreements**

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

**Deferred taxation**

Deferred taxation is provided on all timing differences, without discounting, calculated at the rate at which it is estimated the tax will be payable, except where otherwise required by accounting standards.

**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 the transaction. All exchange differences are taken to the profit and loss account.

**2. TURNOVER**

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, stated net of value added tax. The company's turnover is derived entirely from outside the UK.

## NOTES TO THE ACCOUNTS

for the year ended 30 September 2004

**3. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Depreciation of owned fixed assets	18,422	12,159
Auditors' remuneration		
- as auditors	9,000	8,000
- for other services	2,500	—
Operating lease costs:		
- land and buildings	112,737	60,000
Net profit on foreign currency translation	<u>(16,400)</u>	<u>(4,601)</u>

**4. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

	<b>2004</b>	<b>2003</b>
	<b>No</b>	<b>No</b>
Number of professional staff	8	6
Number of administrative staff	1	1
	<u>9</u>	<u>7</u>

The aggregate payroll costs of the above were:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,335,775	409,197
Social security costs	157,396	42,443
	<u>1,493,171</u>	<u>451,640</u>

**5. DIRECTORS' EMOLUMENTS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Emoluments	<u>735,189</u>	<u>241,504</u>

Emoluments of highest paid director:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Total emoluments (excluding pension contributions)	<u>324,706</u>	<u>130,000</u>

## NOTES TO THE ACCOUNTS

for the year ended 30 September 2004

## 6. TAXATION ON ORDINARY ACTIVITIES

## (a) Analysis of charge in the year

	2004 £	2003 £
<b>Current tax:</b>		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	209,649	73,309
Total current tax	<u>209,649</u>	<u>73,309</u>

## (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>824,232</u>	<u>254,310</u>
Profit on ordinary activities multiplied by standard rate of corporation tax	247,270	76,293
Effects of:		
Expenses not deductible for tax purposes	7,955	9,520
Timing differences on fixed assets	(44,234)	233
Effect of over provision for the year ended 30 September 2003	(58)	—
Marginal relief	(1,284)	(12,737)
Total current tax (note 6(a))	<u>209,649</u>	<u>73,309</u>

## 7. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant & machinery £	Total £
<b>Cost</b>			
At 1 October 2003	—	176,936	176,936
Additions	396,446	102,041	498,487
Disposals	—	(176,936)	(176,936)
At 30 September 2004	<u>396,446</u>	<u>102,041</u>	<u>498,487</u>
<b>Depreciation</b>			
At 1 October 2003	—	176,936	176,936
Charge for the year	13,671	4,751	18,422
On disposals	—	(176,936)	(176,936)
At 30 September 2004	<u>13,671</u>	<u>4,751</u>	<u>18,422</u>
<b>Net book value</b>			
At 30 September 2004	<u>382,775</u>	<u>97,290</u>	<u>480,065</u>
At 30 September 2003	<u>—</u>	<u>—</u>	<u>—</u>

**NOTES TO THE ACCOUNTS**

for the year ended 30 September 2004

**8. DEBTORS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Other debtors	309,872	68,409
Prepayments and accrued income	163,734	43,816
	<u>473,606</u>	<u>112,225</u>

The debtors above include the following amounts falling due after more than one year:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Other debtors	<u>195,129</u>	<u>—</u>

**9. CREDITORS: amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade creditors	95,823	19,876
Taxation and social security	236,618	86,395
Accruals and deferred income	799,972	25,638
	<u>1,132,413</u>	<u>131,909</u>

**10. COMMITMENTS UNDER OPERATING LEASES**

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land &amp; buildings</b>	
	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Within 1 year	—	60,000
Within 2 to 5 years	221,434	—
	<u>221,434</u>	<u>60,000</u>

**11. RELATED PARTY TRANSACTIONS**

During the year Tarchon Capital Management Limited received £19,994 (2003: £31,994) in respect of marketing services provided to Tarchon Distribution Limited, a company owned by Point Break Trust. A Marolda has an interest under this trust.

Also, at the year-end, Tarchon Distribution Limited was due £67,564 (2003: £nil) from Tarchon Capital Management Limited in respect of introductory fees for an advisory contract.

## NOTES TO THE ACCOUNTS

for the year ended 30 September 2004

**12. SHARE CAPITAL**

Authorised share capital:

	2004	2003
	£	£
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>

**13. CAPITAL REDEMPTION RESERVE**

	2004	2003
	£	£
Capital redemption reserve	<u>60,000</u>	<u>60,000</u>

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2004	2003
	£	£
Profit for the financial year	614,583	181,001
Opening equity shareholders' funds	<u>716,997</u>	<u>535,996</u>
Closing equity shareholders' funds	<u>1,331,580</u>	<u>716,997</u>

**15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2004	2003
	£	£
Operating profit	800,876	240,917
Depreciation	18,422	12,159
Increase in debtors	(361,381)	(54,935)
Increase in creditors	<u>862,500</u>	<u>4,978</u>
Net cash inflow from operating activities	<u>1,320,417</u>	<u>203,119</u>

NOTES TO THE ACCOUNTS

for the year ended 30 September 2004

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Increase in cash in the period	773,641	205,920
Movement in net funds in the period	773,641	205,920
Net funds at 1 October 2003	736,681	530,761
Net funds at 30 September 2004	<u>1,510,322</u>	<u>736,681</u>

**17. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At</b>		<b>At</b>
	<b>1 Oct 2003</b>	<b>Cash flows</b>	<b>30 Sep 2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Net cash:			
Cash in hand and at bank	736,681	773,641	1,510,322
Net funds	<u>736,681</u>	<u>773,641</u>	<u>1,510,322</u>

**18. PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Roldan Holdings Limited, a company incorporated in the British Virgin Islands, which holds 373,680 shares.

In the directors' opinion the ultimate controlling party is the Roldan Trust, established under the law of Jersey.

A Marolda has an interest under this trust.