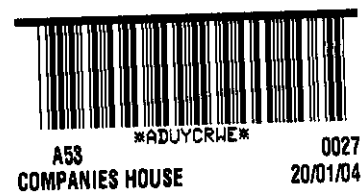


**Tarchon Capital Management  
Limited (formerly Esperia  
Capital Management Limited)**

Report and Accounts  
*30 September 2003*



Tarchon Capital Management Limited (formerly  
Esperia Capital Management Limited)

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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>	32 Dover Street London W1S 7NE
<b>Auditors</b>	Rees Pollock 7 Pilgrim Street London EC4V 6DR
<b>Bankers</b>	Royal Bank of Scotland 49 Charing Cross Road London SW1A 2DX
<b>Solicitors</b>	Berwin Leighton Paisner Bouverie House 154 Fleet Street London EC4A 2JD
<b>Registered Number</b>	3684651

## DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 30 September 2003.

### Principal activities and business review

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

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

	Ordinary Shares of £1 each	
	At 30 September 2003	At 1 October 2002
P E Howard	60,000	60,000
A Marolda	—	—
A Varma	—	—

R G Thumann resigned as a director on 15 November 2002.

### 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.

DIRECTORS' REPORT *(continued)*

**Auditors**

A resolution to re-appoint Rees Pollock as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

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

A Marolda  
Director

15 January 2004



## REES POLLOCK

*Chartered Accountants*

7 Pilgrim Street

London EC4V 6DR

Telephone 020 7329 6404

Fax 020 7329 6408

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TARCHON CAPITAL MANAGEMENT LIMITED (FORMERLY ESPERIA 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 2003 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

15 January 2004

Tarchon Capital Management Limited (formerly  
Esperia Capital Management Limited)

**PROFIT AND LOSS ACCOUNT**

for the year ended 30 September 2003

	<b>Note</b>	<b>2003 £</b>	<b>2002 £</b>
<b>TURNOVER</b>	<b>2</b>	1,084,730	730,457
Cost of sales		—	42,363
<b>GROSS PROFIT</b>		1,084,730	688,094
Administrative expenses		843,813	670,428
<b>OPERATING PROFIT</b>	<b>3</b>	240,917	17,666
Interest receivable		13,393	10,897
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		254,310	28,563
Tax on profit on ordinary activities	<b>6</b>	73,309	15,004
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		181,001	13,559
Balance brought forward		(64,004)	(77,563)
Balance carried forward		<u>116,997</u>	<u>(64,004)</u>

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

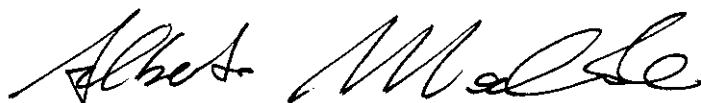
The company has no recognised gains or losses other than the results for the year as set out above.

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

Tarchon Capital Management Limited (formerly  
Esperia Capital Management Limited)

**BALANCE SHEET**  
at 30 September 2003

	Note	£	2003 £	2002 £
<b>FIXED ASSETS</b>				
Tangible assets	7		—	12,159
<b>CURRENT ASSETS</b>				
Debtors	8	112,225		57,290
Cash at bank		736,681		530,761
		848,906		588,051
<b>CREDITORS: amounts falling due within one year</b>	9	131,909		64,214
<b>NET CURRENT ASSETS</b>			716,997	523,837
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			716,997	535,996
<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			116,997	(64,004)
<b>SHAREHOLDERS' FUNDS</b>	14		716,997	535,996



A Marolda  
Director

15 January 2004

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

Tarchon Capital Management Limited (formerly  
Esperia Capital Management Limited)

**CASH FLOW STATEMENT**

for the year ended 30 September 2003

	<b>Note</b>	<b>£</b>	<b>2003 £</b>	<b>2002 £</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>15</b>		203,119	64,183
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received		13,393		10,897
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			13,393	10,897
<b>TAXATION</b>			(10,592)	(24,017)
<b>INCREASE IN CASH</b>	<b>16</b>		<u>205,920</u>	<u>51,063</u>

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

**NOTES TO THE ACCOUNTS**

for the year ended 30 September 2003

**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.

**Fixed assets**

All fixed assets are initially recorded at cost.

**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:

Plant & Machinery                      -            over three 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 2003

**3. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Depreciation of owned fixed assets	12,159	46,445
Auditors' remuneration		
- as auditors	8,000	8,000
Operating lease costs:		
- land and buildings	60,000	60,000
Net profit on foreign currency translation	<u>(4,601)</u>	<u>(15,976)</u>

**4. PARTICULARS OF EMPLOYEES**

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

	<b>2003</b>	<b>2002</b>
	<b>No</b>	<b>No</b>
Number of professional staff	6	4
Number of administrative staff	1	1
	<u>7</u>	<u>5</u>

The aggregate payroll costs of the above were:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Wages and salaries	409,197	277,235
Social security costs	42,443	24,917
	<u>451,640</u>	<u>302,152</u>

**5. DIRECTORS' EMOLUMENTS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Emoluments	<u>241,504</u>	<u>172,801</u>

Emoluments of highest paid director:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Total emoluments (excluding pension contributions):	<u>130,000</u>	<u>100,552</u>

NOTES TO THE ACCOUNTS

for the year ended 30 September 2003

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 19%)	73,309	15,004
Total current tax	<u>73,309</u>	<u>15,004</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% (2002 - 19%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>254,310</u>	<u>28,563</u>
Profit on ordinary activities multiplied by standard rate of corporation tax	76,293	5,427
Effects of:		
Expenses not deductible for tax purposes	9,520	3,264
Timing differences on fixed assets	233	5,941
Effect of change in taxation rate	—	372
Marginal relief	<u>(12,737)</u>	<u>—</u>
Total current tax (note 6(a))	<u>73,309</u>	<u>15,004</u>

**7. TANGIBLE FIXED ASSETS**

	Plant & Machinery £
Cost	
At 1 October 2002 and 30 September 2003	<u>176,936</u>
Depreciation	
At 1 October 2002	164,777
Charge for the year	<u>12,159</u>
At 30 September 2003	<u>176,936</u>
Net book value	
At 30 September 2003	<u>—</u>
At 30 September 2002	<u>12,159</u>

NOTES TO THE ACCOUNTS

for the year ended 30 September 2003

**8. DEBTORS**

	2003	2002
	£	£
Other debtors	68,409	33,360
Prepayments and accrued income	43,816	23,930
	<u>112,225</u>	<u>57,290</u>

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

	2003	2002
	£	£
Other debtors	<u>—</u>	<u>30,000</u>

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

	2003	2002
	£	£
Trade creditors	19,876	10,296
Taxation and social security	86,395	16,918
Accruals and deferred income	25,638	37,000
	<u>131,909</u>	<u>64,214</u>

**10. COMMITMENTS UNDER OPERATING LEASES**

At 30 September 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	<b>Land &amp; Buildings</b>	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	60,000	—
Within 2 to 5 years	<u>—</u>	<u>60,000</u>
	<u>60,000</u>	<u>60,000</u>

**11. RELATED PARTY TRANSACTIONS**

During the year Tarchon Capital Management Limited received £31,994 (2002: £44,988) in respect of marketing services provided to Esperia Distribution Limited, a company owned by Park Brook Trust. A Marolda has an interest under this trust. No amounts remain unpaid at the year end.

**NOTES TO THE ACCOUNTS**

for the year ended 30 September 2003

**12. SHARE CAPITAL**

Authorised share capital:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	<b>2003</b>		<b>2002</b>
	<b>No</b>	<b>£</b>	<b>No</b>
			<b>£</b>
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**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Capital redemption reserve	<u>60,000</u>	<u>60,000</u>

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

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	181,001	13,559
Opening equity shareholders' funds	<u>535,996</u>	<u>522,437</u>
Closing equity shareholders' funds	<u>716,997</u>	<u>535,996</u>

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

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit	240,917	17,666
Depreciation	12,159	46,445
(Increase)/decrease in debtors	(54,935)	44,807
Increase/(decrease) in creditors	4,978	(44,735)
Net cash inflow from operating activities	<u>203,119</u>	<u>64,183</u>

NOTES TO THE ACCOUNTS

for the year ended 30 September 2003

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

	2003	2002
	£	£
Increase in cash in the period	205,920	51,063
Movement in net funds in the period	<u>205,920</u>	<u>51,063</u>
Net funds at 1 October 2002	<u>530,761</u>	479,698
Net funds at 30 September 2003	<u>736,681</u>	<u>530,761</u>

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

	At 1 Oct 2002	Cash flows	At 30 Sep 2003
	£	£	£
Net cash:			
Cash in hand and at bank	<u>530,761</u>	<u>205,920</u>	<u>736,681</u>
Net funds	<u>530,761</u>	<u>205,920</u>	<u>736,681</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 480,000 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.