

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005
FOR
A. V. THOMAS LEATHER (UK) LIMITED**



A. V. THOMAS LEATHER (UK) LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2005**

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A. V. THOMAS LEATHER (UK) LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2005**

DIRECTORS: S C Gladstone
H M A Hussain

SECRETARY: K Solanki

REGISTERED OFFICE: 2nd Floor
27 Passey Place
Eltham
London
SE9 5DA

REGISTERED NUMBER: 3800303

AUDITORS: Harmer Slater
Chartered Accountants
& Registered Auditors
Quoin House
Alfred Road
Sutton
Surrey
SM1 4RR

A. V. THOMAS LEATHER (UK) 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 acting as an intermediary for the marketing and sale of leather goods in the UK on behalf of its parent undertaking.

DIRECTORS

The directors during the year under review were:

S C Gladstone
H M A Hussain

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

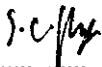
So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant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

AUDITORS

Harmer Slater were appointed as auditors and 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:



.....
S C Gladstone
Director

Date: 17 May 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
A. V. THOMAS LEATHER (UK) LIMITED**

We have audited the financial statements of A. V. Thomas Leather (UK) Limited for the year ended 31 December 2005 on pages four to ten. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member 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 member 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 member, 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 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, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Harmer Slater

Harmer Slater
Chartered Accountants
& Registered Auditors
Quoin House
Alfred Road
Sutton
Surrey
SM1 4RR

Date: 17 May 2006

A. V. THOMAS LEATHER (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

| | Notes | 2005 £ | 2004 £ |
|--|-------|------------------|----------------|
| TURNOVER | | 1,417,250 | 1,145,794 |
| Cost of sales | | <u>1,167,548</u> | <u>840,460</u> |
| GROSS PROFIT | | 249,702 | 305,334 |
| Distribution costs | | 84,183 | 174,588 |
| Administrative expenses | | <u>127,986</u> | <u>119,110</u> |
| | | <u>212,169</u> | <u>293,698</u> |
| | | 37,533 | 11,636 |
| Other operating income | | <u>10,739</u> | <u>17,800</u> |
| OPERATING PROFIT | 3 | 48,272 | 29,436 |
| Interest receivable and similar income | | <u>3,063</u> | <u>3,708</u> |
| | | 51,335 | 33,144 |
| Interest payable and similar charges | 4 | <u>403</u> | <u>406</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 50,932 | 32,738 |
| Tax on profit on ordinary activities | 5 | <u>10,371</u> | <u>5,778</u> |
| PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION | | <u>40,561</u> | <u>26,960</u> |
| RETAINED PROFIT FOR THE YEAR | | <u>40,561</u> | <u>26,960</u> |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year.

A. V. THOMAS LEATHER (UK) LIMITED

**BALANCE SHEET
31 DECEMBER 2005**

| | Notes | 2005 £ | 2004 £ |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 7,952 | 13,470 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 8,140 | - |
| Debtors | 9 | 79,156 | 266,657 |
| Cash at bank and in hand | | <u>252,999</u> | <u>337,960</u> |
| | | 340,295 | 604,617 |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | <u>116,044</u> | <u>423,621</u> |
| NET CURRENT ASSETS | | <u>224,251</u> | <u>180,996</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 232,203 | 194,466 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 11 | - | <u>2,824</u> |
| NET ASSETS | | <u>232,203</u> | <u>191,642</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 100,000 | 100,000 |
| Profit and loss account | 14 | <u>132,203</u> | <u>91,642</u> |
| SHAREHOLDER'S FUNDS | 17 | <u>232,203</u> | <u>191,642</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.

ON BEHALF OF THE BOARD:

SCG

.....
S C Gladstone
Director

Approved by the Board on 17 May 2006

The notes form part of these financial statements

A. V. THOMAS LEATHER (UK) 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.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|---------------|
| Fixtures and fittings | - 25% on cost |
| Motor vehicles | - 25% on cost |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

| | 2005 | 2004 |
|-----------------------|---------------|---------------|
| | £ | £ |
| Wages and salaries | 56,051 | 64,975 |
| Social security costs | 6,388 | 5,844 |
| Other pension costs | <u>4,140</u> | <u>-</u> |
| | <u>66,579</u> | <u>70,819</u> |

The average monthly number of employees during the year was as follows:

| | 2005 | 2004 |
|--------------------------|----------|----------|
| Marketing and management | <u>2</u> | <u>2</u> |

A. V. THOMAS LEATHER (UK) LIMITED

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

3. OPERATING PROFIT

The operating profit is stated after charging:

| | 2005 | 2004 |
|--|------------------|------------------|
| | £ | £ |
| Operating lease rentals – land and buildings | 6,500 | 6,500 |
| Depreciation - owned assets | 7,236 | 5,810 |
| Auditors' remuneration | 1,500 | - |
| Foreign exchange differences | <u>62</u> | <u>-</u> |
| Directors' emoluments | <u>2,333</u> | <u>9,751</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2005 | 2004 |
|---------------|------------|------------|
| | £ | £ |
| Hire purchase | <u>403</u> | <u>406</u> |

5. TAXATION

Analysis of the tax charge

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

| | 2005 | 2004 |
|--|-------------------|------------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | <u>10,371</u> | <u>5,778</u> |
| Tax on profit on ordinary activities | <u>10,371</u> | <u>5,778</u> |

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2005 | 2004 |
|--|-------------------|------------------|
| | £ | £ |
| Profit on ordinary activities before tax | <u>50,932</u> | <u>32,738</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2004 - 19%) | 9,677 | 6,220 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 79 | 56 |
| Depreciation in excess of capital allowances | 615 | (100) |
| Small companies marginal relief | <u>-</u> | <u>(398)</u> |
| Current tax charge | <u>10,371</u> | <u>5,778</u> |

6. DIVIDENDS

| | 2005 | 2004 |
|----------------|----------|---------------|
| | £ | £ |
| Equity shares: | | |
| Final | <u>-</u> | <u>20,000</u> |

A. V. THOMAS LEATHER (UK) LIMITED

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

7. TANGIBLE FIXED ASSETS

| | Fixtures and fittings £ | Motor vehicle £ | Totals £ |
|-----------------------|----------------------------------|-----------------------|---------------|
| COST | | | |
| At 1 January 2005 | 13,080 | 15,918 | 28,998 |
| Additions | <u>1,718</u> | <u>-</u> | <u>1,718</u> |
| At 31 December 2005 | <u>14,798</u> | <u>15,918</u> | <u>30,716</u> |
| DEPRECIATION | | | |
| At 1 January 2005 | 7,574 | 7,954 | 15,528 |
| Charge for year | <u>3,256</u> | <u>3,980</u> | <u>7,236</u> |
| At 31 December 2005 | <u>10,830</u> | <u>11,934</u> | <u>22,764</u> |
| NET BOOK VALUE | | | |
| At 31 December 2005 | <u>3,968</u> | <u>3,984</u> | <u>7,952</u> |
| At 31 December 2004 | <u>5,506</u> | <u>7,964</u> | <u>13,470</u> |

The motor vehicle is subject to a hire purchase contract.

8. STOCKS

| | 2005 £ | 2004 £ |
|----------------|--------------|-----------|
| Finished goods | <u>8,140</u> | <u>-</u> |

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005 £ | 2004 £ |
|---------------|---------------|----------------|
| Trade debtors | 66,421 | 249,513 |
| Other debtors | 7,280 | - |
| Prepayments | <u>5,455</u> | <u>17,144</u> |
| | <u>79,156</u> | <u>266,657</u> |

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005 £ | 2004 £ |
|---------------------------------------|----------------|----------------|
| Hire purchase contracts (see note 12) | 2,825 | 3,763 |
| Trade creditors | 97,903 | 385,030 |
| Amount owed to parent undertaking | 660 | - |
| Corporation tax | 10,803 | 5,778 |
| Social security and other taxes | 1,353 | 2,269 |
| Proposed dividends | - | 20,000 |
| Other creditors | - | 4,981 |
| Accrued expenses | <u>2,500</u> | <u>1,800</u> |
| | <u>116,044</u> | <u>423,621</u> |

A. V. THOMAS LEATHER (UK) LIMITED

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

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2005 | 2004 |
|---------------------------------------|----------|--------------|
| | £ | £ |
| Hire purchase contracts (see note 12) | <u>-</u> | <u>2,824</u> |

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

| | 2005 | 2004 |
|------------------------------|--------------|--------------|
| | £ | £ |
| Gross obligations repayable: | | |
| Within one year | 3,125 | 4,166 |
| Between one and five years | <u>-</u> | <u>3,127</u> |
| | <u>3,125</u> | <u>7,293</u> |
| Finance charges repayable: | | |
| Within one year | 300 | 403 |
| Between one and five years | <u>-</u> | <u>303</u> |
| | <u>300</u> | <u>706</u> |
| Net obligations repayable: | | |
| Within one year | 2,825 | 3,763 |
| Between one and five years | <u>-</u> | <u>2,824</u> |
| | <u>2,825</u> | <u>6,587</u> |

The following operating lease payments are committed to be paid within one year:

| | 2005 | 2004 |
|----------------------------|--------------|--------------|
| | £ | £ |
| Expiring: | | |
| Within one year | 1,083 | - |
| Between one and five years | <u>-</u> | <u>6,500</u> |
| | <u>1,083</u> | <u>6,500</u> |

13. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2005 | 2004 |
|---------|-----------------|----------------|----------------|----------------|
| | | | £ | £ |
| 100,000 | Ordinary shares | £1 | <u>100,000</u> | <u>100,000</u> |

A. V. THOMAS LEATHER (UK) LIMITED

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

14. RESERVES

| | |
|------------------------------|------------------------------------|
| | Profit and loss account £ |
| At 1 January 2005 | 91,642 |
| Retained profit for the year | <u>40,561</u> |
| At 31 December 2005 | <u><u>132,203</u></u> |

15. RELATED PARTY DISCLOSURES

The company has taken advantage of FRS8 which exempts subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.

16. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking is A V Thomas Leather and Allied Products PVT Limited, an undertaking incorporated in India.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

| | 2005 £ | 2004 £ |
|--|---------------------------|---------------------------|
| Profit for the financial year | 40,561 | 26,960 |
| Dividends | <u>-</u> | <u>(20,000)</u> |
| Net addition to shareholder's funds | 40,561 | 6,960 |
| Opening shareholder's funds | <u>191,642</u> | <u>184,682</u> |
| Closing shareholder's funds | <u><u>232,203</u></u> | <u><u>191,642</u></u> |
| Equity interests | <u><u>232,203</u></u> | <u><u>191,642</u></u> |