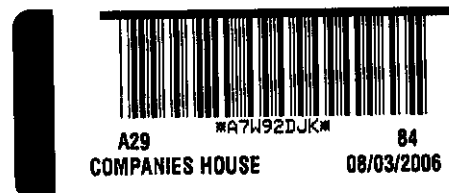


NEWBY TEAS (UK) LIMITED
DIRECTORS REPORT AND FINANCIAL STATEMENTS
31 JULY 2005

BOYDELL & CO
Chartered Accountants
89 Chiswick High Road
London W4 2EF

Company number: 3904465



NEWBY TEAS (UK) LIMITED

DIRECTORS REPORT

The directors submit their report with the financial statements of the company for the year ended 31 July 2005.

RESULTS AND DIVIDENDS

The profit on ordinary activities for the period, after taxation, amounted to £105,105 (2004: £68,880). The directors do not recommend the payment of a dividend nor any transfer to reserves.

REVIEW OF THE BUSINESS

The company's principal activity during the period was the sale of tea. The directors are concentrating on sales to the fast expanding Russian market where the gross profit margins are considerably higher than in the UK.

DIRECTORS

The directors at 31 July 2005 who served throughout the year and their interests in the share capital of the holding company were as follows:-

| | | Ordinary shares | |
|------------------------------|--------------------------|------------------|----------------|
| | | Number of Shares | |
| | | <u>31.7.05</u> | <u>31.7.04</u> |
| Nirmal K Sethia | - beneficial holding | 121,297 | 121,297 |
| | - non-beneficial holding | 981,403 | 981,403 |
| A K Pyne | | - | - |
| J P S Booth | | - | - |
| R R Sethia | | - | - |
| A Jain (appointed 1.11.2004) | | - | - |

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 which 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.

NEWBY TEAS (UK) LIMITED

DIRECTORS REPORT (continued)

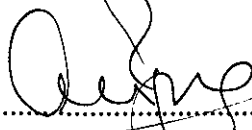
SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies within Part VII of the Companies Act 1985.

AUDITORS

The directors appointed Boydell & Co as auditors following the resignation of Philip Hudson & Co. Boydell & Co have indicated their willingness to accept auditors reappointment under Section 385 (2) of the Companies Act 1985.

By Order of the Board



.....
A K PYNE
Secretary

105 St John Street
London
EC1M 4AS

13 December 2005

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OFNEWBY TEAS (UK) LIMITED

We have audited the financial statements of Newby Teas Limited for the year ended 31 July 2005. Which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared 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 in the Statement of Directors' responsibilities on page one the company's directors are responsible for the preparation of the 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 Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatement 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 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Boydell & Co
Chartered Accountants
and Registered Auditors
89 Chiswick High Road
London W4 2EF

14 December 2005

NEWBY TEAS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2005

| | <u>Notes</u> | 2005 £ | 2004 £ |
|--|--------------|------------|-------------|
| TURNOVER | 2 | 1,257,944 | 1,243,554 |
| Cost of sales | | (791,078) | (776,153) |
| Gross profit | | 466,866 | 467,401 |
| Net operating expenses | 3 | (311,478) | (365,703) |
| OPERATING PROFIT | | 155,388 | 101,698 |
| PROFIT on ordinary activities before taxation | | 155,388 | 101,698 |
| Tax on profit on ordinary activities | 5 | (50,283) | (40,818) |
| PROFIT on ordinary activities for the year | | 105,105 | 60,880 |
| Loss brought forward | | (195,825) | (256,705) |
| Loss carried forward | | £ (90,720) | £ (195,825) |

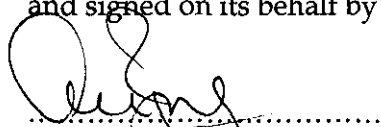
The notes on pages 6 to 9 form an integral part of these accounts.

NEWBY TEAS (UK) LIMITEDBALANCE SHEETAT 31 JULY 2005

| | Notes | £ | 2005 £ | £ | 2004 £ |
|---|-------|------------------|------------------|------------------|------------------|
| FIXED ASSETS | | | | | |
| Intangible fixed assets | 6 | | 184,356 | | 236,244 |
| Tangible fixed assets | 7 | | 29,427 | | 35,739 |
| | | | <u>213,783</u> | | <u>271,983</u> |
| CURRENT ASSETS | | | | | |
| Stock | 8 | 480,318 | | 545,386 | |
| Debtors | 9 | 701,745 | | 543,740 | |
| Cash at bank | | 123,823 | | 8,463 | |
| | | <u>1,305,886</u> | | <u>1,097,589</u> | |
| CREDITORS: amounts falling due within one year | 10 | (609,789) | | (564,797) | |
| | | | | <u></u> | |
| NET CURRENT ASSETS/(LIABILITIES) | | | 696,097 | | (532,792) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>909,880</u> | | <u>804,775</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Deferred taxation | 1/11 | | (600) | | (600) |
| | | | <u>£ 909,280</u> | | <u>£ 804,175</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 12 | | 1,000,000 | | 1,000,000 |
| Profit and loss account | | | (90,720) | | (195,825) |
| | | | <u>£ 909,280</u> | | <u>£ 804,175</u> |

These accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective June 2002).

Approved by the board on 13 December 2005
and signed on its behalf by


A K PYNE
Director

The notes on pages 6 to 9 form an integral part of these accounts.

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 JULY 20051. ACCOUNTING POLICIESBasis of accounting

The accounts have been prepared under the historical cost convention and the Financial Reporting Standard for Smaller Entities (effective June 2002). They have been prepared on the going concern basis, on the understanding that fellow group undertakings will not seek repayment of sums due to them in excess of the company's available resources.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, at the following rates:

| | |
|-------------------------|----------------------------------|
| Furniture and equipment | 25% pa reducing instalment basis |
| Computers | 25% pa reducing instalment basis |
| Artwork and design | 25% pa reducing instalment basis |
| Trademark | 10% pa straight line |

Stock and work in Progress

Stock and work in progress are valued at the lower cost and net realisable value.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the average rate for the year. Differences in currency transactions are taken to trading account and translation differences on monetary items are taken to trading and profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2. TURNOVER

Turnover represents the invoiced amounts of goods sold excluding VAT.

3. NET OPERATING EXPENSES

| | 2005 | 2004 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Administrative expenses | <u>311,478</u> | <u>365,703</u> |

4. OPERATING PROFIT

| | 2005 | 2004 |
|--------------------------------|--------------|--------------|
| | £ | £ |
| This is stated after charging: | | |
| Auditors' remuneration | <u>2,500</u> | <u>2,770</u> |

5. TAXATION

| | 2005 | 2004 |
|----------------------------------|------|------|
| | £ | £ |
| The taxation charge for the year | | |
| is as follows:- | | |

| | | |
|------------------------------------|-----------------|-----------------|
| Corporation tax for the year @ 30% | 50,807 | 72,420 |
| Adjustment for previous year | (524) | 22,748 |
| Deferred taxation written back | <u>-</u> | <u>(54,350)</u> |
| | <u>£ 50,283</u> | <u>£ 40,818</u> |

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONT'D)FOR THE YEAR ENDED 31 JULY 2005

| 6. | <u>INTANGIBLE FIXED ASSETS</u> | <u>Artwork & Design</u> | <u>Trademark & patents</u> £ | <u>Total</u> |
|----|--------------------------------|---|---|-------------------|
| | Cost: | | | |
| | At 1 August 2004 | 261,036 | 143,315 | 404,351 |
| | Additions: | | | |
| | At 31 July 2005 | - | - | - |
| | | <u>261,036</u> | <u>143,315</u> | <u>404,351</u> |
| | Depreciation: | | | |
| | At 1 August 2004 | 110,811 | 57,296 | 168,107 |
| | Charge for the year | <u>37,556</u> | <u>14,332</u> | <u>51,888</u> |
| | At 31 July 2005 | <u>148,367</u> | <u>71,628</u> | <u>219,995</u> |
| | Net book value: | | | |
| | At 31 July 2005 | 112,669 | 71,687 | 184,356 |
| | At 31 July 2004 | 150,225 | 86,019 | 236,244 |
| 7. | <u>TANGIBLE FIXED ASSETS</u> | <u>Furniture and equipment</u> £ | <u>Computers</u> £ | <u>Total</u> £ |
| | Cost: | | | |
| | At 1 August 2004 | 55,961 | 11,278 | 67,239 |
| | Additions | - | 3,497 | 3,497 |
| | Disposals | - | - | - |
| | At 31 July 2005 | <u>55,961</u> | <u>14,775</u> | <u>70,736</u> |
| | Depreciation: | | | |
| | At 1 August 2004 | 24,798 | 6,702 | 31,500 |
| | Charge for the period | <u>7,791</u> | <u>2,018</u> | <u>9,809</u> |
| | At 31 July 2005 | <u>32,589</u> | <u>8,720</u> | <u>41,309</u> |
| | Net book value: | | | |
| | At 31 July 2005 | 23,372 | 6,055 | 29,427 |
| | At 31 July 2004 | 31,163 | 4,576 | 35,739 |

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 JULY 2005

| | | |
|------------------|------------------|------------------|
| 8. <u>STOCKS</u> | <u>2005</u> | <u>2004</u> |
| | £ | £ |
| Raw materials | 93,823 | 276,013 |
| Finished goods | 129,460 | 246,067 |
| Work-in-progress | 257,035 | 23,306 |
| | <u>£ 480,318</u> | <u>£ 545,386</u> |

| | | |
|-------------------|------------------|------------------|
| 9. <u>DEBTORS</u> | <u>2005</u> | <u>2004</u> |
| | £ | £ |
| Trade debtors | 687,463 | 521,078 |
| Other debtors | 14,282 | 22,662 |
| Prepayments | - | - |
| | <u>£ 701,745</u> | <u>£ 543,740</u> |

| | | |
|---|------------------|------------------|
| 10. <u>CREDITORS: amounts falling due within one year</u> | <u>2005</u> | <u>2004</u> |
| | £ | £ |
| Bank loans and overdrafts | 229,826 | 204,826 |
| Trade creditors | 85,572 | 100,043 |
| Taxation | 50,807 | 95,168 |
| Group undertakings | 229,635 | 148,225 |
| Accruals | 12,224 | 16,535 |
| Other creditors | 1,725 | - |
| | <u>£ 609,789</u> | <u>£ 564,797</u> |

11. DEFERRED TAXATION

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | | |
|---|--------------|--------------|
| | <u>2005</u> | <u>2004</u> |
| | £ | £ |
| Excess of taxation allowances over depreciation on fixed assets | <u>£ 600</u> | <u>£ 600</u> |

NEWBY TEAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 JULY 2005

| 12. <u>SHARE CAPITAL</u> | Authorised | | Allotted called up and fully paid | |
|--------------------------|--------------------|--------------------|---|------------------|
| | <u>2005</u> No. | <u>2004</u> No. | <u>2005</u> £ | <u>2004</u> £ |
| Ordinary £1 shares | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The following ordinary £1 shares were allotted for cash at par value were made to Sethia London Limited (the parent company):-

On 18 December 2003: 300,000 shares
On 31 December 2003: 300,000 shares

13. RECONCILIATION OF MOVEMENT IN
SHAREHOLDERS FUNDS

| | <u>2005</u> £ | <u>2004</u> £ |
|-------------------------------|------------------|------------------|
| Opening shareholders' funds | 804,175 | 143,295 |
| 600,000 shares allotted | - | 600,000 |
| Profit for the year after tax | 105,105 | 60,880 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | £ 909,280 | £ 804,175 |
| | <hr/> | <hr/> |

14. HOLDING COMPANY

The company is a wholly owned subsidiary of Sethia London Limited. The ultimate holding company is N Sethia Group Limited, a company incorporated in the UK.