

NEWBY TEAS (UK) LIMITED
DIRECTORS REPORT AND FINANCIAL STATEMENTS
31 JULY 2006



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 2006.

RESULTS AND DIVIDENDS

The profit on ordinary activities for the period, after taxation, amounted to £92,295 (2005: £105,105). 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 2006 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>31.7.06</u>	<u>31.7.05</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 (resigned 31.5.06)		-	-
A Jain		-	-

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)

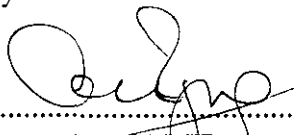
SMALL COMPANY PROVISIONS

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

AUDITORS

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'A K PYNE', is written over a horizontal dotted line.

A K PYNE
Secretary

105 St John Street
London
EC1M 4AS

29 November 2006

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

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention on the basis of accounting policies set out on page 6 and in accordance with the Financial Reporting Standard for Smaller Entities.

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 auditor's 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 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 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.

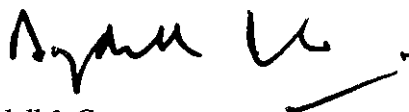
BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 of the state of the company's affairs as at 31 July 2006 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

29 November 2006

NEWBY TEAS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2006

	<u>Notes</u>	2006 £	2005 £
TURNOVER	2	1,700,761	1,257,944
Cost of sales		(1,247,025)	(798,323)
Gross profit		<u>453,736</u>	<u>459,621</u>
Net operating expenses	3	(326,870)	(304,233)
OPERATING PROFIT		<u>126,866</u>	<u>155,388</u>
PROFIT on ordinary activities before taxation		<u>126,866</u>	<u>155,388</u>
Tax on profit on ordinary activities	5	(34,571)	(50,283)
PROFIT on ordinary activities for the year		<u>92,295</u>	<u>105,105</u>
Loss brought forward		<u>(90,720)</u>	<u>(195,825)</u>
Profit/(loss) carried forward		<u>£ 1,575</u>	<u>£ (90,720)</u>

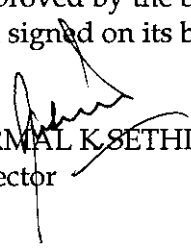
The notes on pages 6 to 9 form an integral part of these financial statements.

NEWBY TEAS (UK) LIMITEDBALANCE SHEETAT 31 JULY 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Intangible fixed assets	6	141,857	184,356
Tangible fixed assets	7	22,070	29,427
		<u>163,927</u>	<u>213,783</u>
CURRENT ASSETS			
Stock	8	311,210	480,318
Debtors	9	953,607	719,785
Cash at bank		85,279	123,823
		<u>1,350,096</u>	<u>1,323,926</u>
CREDITORS: amounts falling due within one year	10	<u>(511,848)</u>	<u>(627,829)</u>
NET CURRENT ASSETS		<u>838,248</u>	<u>696,097</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,002,175</u>	<u>909,880</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(600)	(600)
		<u>£ 1,001,575</u>	<u>£ 909,280</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000,000	1,000,000
Profit and loss account		1,575	(90,720)
		<u>£ 1,001,575</u>	<u>£ 909,280</u>

These financial statements 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 January 2005).

Approved by the board on 29 November 2006.
and signed on its behalf by


NIRMAL K. SETHIA
Director

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

NEWBY TEAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and the Financial Reporting Standard for Smaller Entities (effective January 2005). 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.

An analysis of turnover by geographical market is given below:

	2006	2005
	£	£
Europe (excl UK)	1,655,337	1,201,469
United Kingdom	43,990	50,925
Asia	1,434	5,550
	<u>£ 1,700,761</u>	<u>£ 1,257,944</u>
	=====	=====

3. NET OPERATING EXPENSES

	2006	2005
	£	£
Administrative expenses	326,870	304,233
	=====	=====

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONT'D)FOR THE YEAR ENDED 31 JULY 2006

4	<u>OPERATING PROFIT</u>	2006	2005
	This is stated after charging:	£	£
	Auditors' remuneration	2,600	2,500
		=====	=====
	Employees (including directors):		
	Average number of people employed during the year (administration etc)	10	10
	Cost in respect of these employees:		
	Salaries	119,368	110,240
	Social security costs	12,590	11,657
		£ 131,958	£ 121,897
		=====	=====

The company had no employees other than the directors who were remunerated by a fellow subsidiary undertaking.

5.	<u>TAXATION</u>	2006	2005
	The taxation charge for the year is as follows:-	£	£
	Corporation tax for the year @ 30%	41,856	50,807
	Adjustment in respect of previous years	(7,285)	(524)
		£ 34,571	£ 50,283
		=====	=====

6.	<u>INTANGIBLE FIXED ASSETS</u>	<u>Artwork & Design</u>	<u>Trademark & patents</u>	<u>Total</u>
		£	£	£
	Cost:			
	At 1 August 2005	261,036	143,315	404,351
	Additions	-	-	-
	Disposals	-	-	-
		=====	=====	=====
	At 31 July 2006	261,036	143,315	404,351
	Depreciation:			
	At 1 August 2005	148,367	71,628	219,995
	Charge for the year	28,167	14,332	42,499
		=====	=====	=====
	At 31 July 2006	176,534	85,960	262,494
		=====	=====	=====
	Net book value:			
	At 31 July 2006	84,502	57,355	141,857
	At 31 July 2005	112,669	71,687	184,356

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONT'D)FOR THE YEAR ENDED 31 JULY 20067. TANGIBLE FIXED ASSETS

	Furniture and equipment	Computers	Total
Cost:	£	£	£
At 1 August 2005	55,961	14,775	70,736
Additions	-	-	-
Disposals	-	-	-
At 31 July 2006	55,961	14,775	70,736
Depreciation:			
At 1 August 2005	32,589	8,720	41,309
Charge for the period	5,843	1,514	7,357
At 31 July 2006	38,432	10,234	48,666
Net book value:			
At 31 July 2006	17,529	4,541	22,070
At 31 July 2005	23,372	6,055	29,427

8. STOCKS

	<u>2006</u>	<u>2005</u>
	£	£
Raw materials	63,343	93,823
Finished goods	194,769	129,460
Work-in-progress	53,098	257,035
	<u>£ 311,210</u>	<u>£ 480,318</u>

9. DEBTORS

	<u>2006</u>	<u>2005</u>
	£	£
Trade debtors	946,254	687,463
Other debtors	7,353	32,322
Prepayments	-	-
	<u>£ 953,607</u>	<u>£ 719,785</u>

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONT'D)FOR THE YEAR ENDED 31 JULY 200610. CREDITORS: amounts falling due within one year

	<u>2006</u>	<u>2005</u>
	£	£
Bank loans and overdrafts	229,566	229,826
Trade creditors	87,863	85,572
Taxation	41,856	50,807
Group undertakings	141,275	247,675
Accruals	11,288	12,224
Other creditors	-	1,725
	<u>£ 511,848</u>	<u>£ 627,829</u>

The bank overdraft is secured by a floating charge on the assets of the company.

11. DEFERRED TAXATION

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

	<u>2006</u>	<u>2005</u>
	£	£
Excess of taxation allowances over depreciation on fixed assets	£ 600	£ 600

12. SHARE CAPITAL

Authorised
Allotted
called up and
fully paid

	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	No.	No.	£	£
Ordinary £1 shares	1,000,000	1,000,000	1,000,000	1,000,000

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	<u>2006</u>	<u>2005</u>
	£	£
Opening shareholders' funds	909,280	804,175
Profit for the year after tax	92,295	105,105
Closing shareholders' funds	<u>£ 1,001,575</u>	<u>£ 909,280</u>

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.

NEWBY TEAS (UK) LIMITEDTRADING AND PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 JULY 2006

	£	2006 £	£	2005 £
Turnover:				
Sales		1,700,761		1,257,944
Opening stock	480,318		545,386	
Purchases	815,413		549,268	
Storage and distribution costs	263,311		166,447	
Closing stock	(311,210)		(480,318)	
Exchange differences on translation	(807)		10,295	
Design costs	-		7,245	
		1,247,025		(798,323)
Gross profit		453,736		459,621
Less expenses:				
Rent and rates	10,848		17,331	
Wages and salaries	131,958		121,897	
Staff training and welfare	746		2,287	
Printing, postage & delivery charges	5,563		4,941	
Advertising and promotion	43,908		21,707	
Travelling	42,417		34,805	
Leasing rental	1,654		1,627	
Insurance	-		79	
General expenses	6,319		6,987	
Legal & Professional fee	8,222		1,550	
Auditors' remuneration	2,600		2,500	
Bank interest & charges	22,779		19,325	
Licence costs	-		7,500	
Depreciation furniture & equipment	5,843		7,791	
Depreciation computers	1,514		2,018	
Depreciation trade mark and patents	14,332		14,332	
Depreciation artwork and design	28,167		37,556	
		(326,870)		(304,233)
OPERATING PROFIT		£ 126,866		£ 155,388

This statement does not form part of the audited statutory financial statements of the company.