

NEWBY TEAS (UK) LIMITED
DIRECTORS REPORT AND FINANCIAL STATEMENTS
31 JULY 2007

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

Company number 3904465

WEDNESDAY



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COMPANIES HOUSE

NEWBY TEAS (UK) LIMITED

DIRECTORS REPORT

The directors submit their report with the financial statements of the company for the year ended 31 July 2007

RESULTS AND DIVIDENDS

The profit on ordinary activities for the period, after taxation, amounted to £64,292 (2006 £92,295) 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 European and Middle East markets in addition to the Russian market The company expanded its UK market and is thus reporting a high increase in local UK sales

DIRECTORS

The directors at 31 July 2007 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 07</u> | <u>31 7 06</u> |
| Nirmal K Sethia | - beneficial holding | 121,297 | 121,297 |
| | - non-beneficial holding | 981,403 | 981,403 |
| A K Pyne | | - | - |
| J P S Booth | | - | - |
| 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)

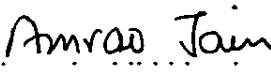
SMALL COMPANY PROVISIONS

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

On behalf of the Board


A JAIN
Director

105 St John Street
London
EC1M 4AS

28 April 2008

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF

NEWBY 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.

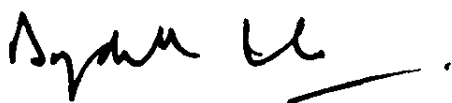
BASIS OF AUDIT OPINION

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 2007 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, and the information given in the directors' report is consistent with the financial statements.



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

28 April 2008

NEWBY TEAS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2007

| | <u>Notes</u> | 2007 £ | 2006 £ |
|--|--------------|-----------------|-----------------|
| TURNOVER | 2 | 1,734,026 | 1,700,761 |
| Cost of sales | | (1,237,013) | (1,247,025) |
| Gross profit | | <u>497,013</u> | <u>453,736</u> |
| Net operating expenses | 3 | (399,758) | (326,870) |
| OPERATING PROFIT | | <u>97,255</u> | <u>126,866</u> |
| PROFIT on ordinary activities before taxation | | <u>97,255</u> | <u>126,866</u> |
| Tax on profit on ordinary activities | 5 | (32,963) | (34,571) |
| PROFIT on ordinary activities for the year | | <u>64,292</u> | <u>92,295</u> |
| Profit/(loss) brought forward | | <u>1,575</u> | <u>(90,720)</u> |
| Profit carried forward | | <u>£ 65,867</u> | <u>£ 1,575</u> |

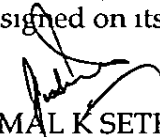
The notes on pages 6 to 9 form an integral part of these financial statements

NEWBY TEAS (UK) LIMITEDBALANCE SHEETAT 31 JULY 2007

| | Notes | £ | 2007 £ | £ | 2006 £ |
|--|-------|------------------|--------------------|------------------|--------------------|
| FIXED ASSETS | | | | | |
| Intangible fixed assets | 6 | | 106,400 | | 141,857 |
| Tangible fixed assets | 7 | | 16,553 | | 22,070 |
| | | | <u>122,953</u> | | <u>163,927</u> |
| CURRENT ASSETS | | | | | |
| Stock | 8 | 369,244 | | 311,210 | |
| Debtors | 9 | 1,445,357 | | 953,607 | |
| Cash at bank | | 2,231 | | 85,279 | |
| | | <u>1,816,832</u> | | <u>1,350,096</u> | |
| CREDITORS amounts falling due within one year | 10 | (873,318) | | (511,848) | |
| | | | | <u></u> | |
| NET CURRENT ASSETS | | | 943,514 | | 838,248 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>1,066,467</u> | | <u>1,002,175</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Deferred taxation | 11 | | (600) | | (600) |
| | | | <u>£ 1,065,867</u> | | <u>£ 1,001,575</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 12 | | 1,000,000 | | 1,000,000 |
| Profit and loss account | | | 65,867 | | 1,575 |
| | | | <u>£ 1,065,867</u> | | <u>£ 1,001,575</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 2007)

Approved by the board on 28 April 2008
and signed on its behalf by


NIRMAL K SETHIA
Director

NEWBY TEAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007

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 2007) 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

| | 2007 | 2006 |
|------------------|--------------------|--------------------|
| | £ | £ |
| Europe (excl UK) | 1,556,400 | 1,655,337 |
| United Kingdom | 177,626 | 43,990 |
| Asia | - | 1,434 |
| | <u>£ 1,734,026</u> | <u>£ 1,700,761</u> |
| | ===== | ===== |

3 NET OPERATING EXPENSES

| | 2007 | 2006 |
|-------------------------|---------|---------|
| | £ | £ |
| Administrative expenses | 399,758 | 326,870 |
| | ===== | ===== |

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONT'D)FOR THE YEAR ENDED 31 JULY 2007

| | | | | |
|---|--|---------------------------------|------------------------------------|--------------|
| 4 | <u>OPERATING PROFIT</u> | 2007 | 2006 | |
| | This is stated after charging | £ | £ | |
| | Auditors' remuneration | 2,800 | 2,600 | |
| | | ===== | ===== | |
| | Employees (including directors) | | | |
| | Average number of people employed during the year (administration etc) | 8 | 10 | |
| | Cost in respect of these employees | | | |
| | Salaries | 162,672 | 119,368 | |
| | Social security costs | 17,557 | 12,590 | |
| | | £ 180,229 | £ 131,958 | |
| | | ===== | ===== | |
| 5 | <u>TAXATION</u> | 2007 | 2006 | |
| | The taxation charge for the year is as follows - | £ | £ | |
| | Corporation tax for the year @ 30% (2006 - 30%) | 32,963 | 41,856 | |
| | Adjustment in respect of previous years | - | (7,285) | |
| | | £ 32,963 | £ 34,571 | |
| | | ===== | ===== | |
| 6 | <u>INTANGIBLE FIXED ASSETS</u> | <u>Artwork & Design</u> | <u>Trademark & patents</u> | <u>Total</u> |
| | | £ | £ | £ |
| | Cost | | | |
| | At 1 August 2006 | 261,036 | 143,315 | 404,351 |
| | Additions | - | - | - |
| | Disposals | - | - | - |
| | | ===== | ===== | ===== |
| | At 31 July 2007 | 261,036 | 143,315 | 404,351 |
| | Depreciation | | | |
| | At 1 August 2006 | 176,534 | 85,960 | 262,494 |
| | Charge for the year | 21,125 | 14,332 | 35,457 |
| | | ===== | ===== | ===== |
| | At 31 July 2007 | 197,659 | 100,292 | 297,951 |
| | | ===== | ===== | ===== |
| | Net book value | | | |
| | At 31 July 2007 | 63,377 | 43,023 | 106,400 |
| | At 31 July 2006 | 84,502 | 57,355 | 141,857 |

NEWBY TEAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 JULY 2007

7 TANGIBLE FIXED ASSETS

| | Furniture and equipment | Computers | Total |
|-----------------------|----------------------------|-----------|--------|
| | £ | £ | £ |
| Cost | | | |
| At 1 August 2006 | 55,961 | 14,775 | 70,736 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31 July 2007 | 55,961 | 14,775 | 70,736 |
| Depreciation | | | |
| At 1 August 2006 | 38,432 | 10,234 | 48,666 |
| Charge for the period | 4,382 | 1,135 | 5,517 |
| At 31 July 2007 | 42,814 | 11,369 | 54,183 |
| Net book value | | | |
| At 31 July 2007 | 13,147 | 3,406 | 16,553 |
| At 31 July 2006 | 17,529 | 4,541 | 22,070 |

| 8 | <u>2007</u> | <u>2006</u> |
|------------------|-------------|-------------|
| | £ | £ |
| Raw materials | 51,768 | 63,343 |
| Finished goods | 292,301 | 194,769 |
| Work-in-progress | 25,175 | 53,098 |
| | £ 369,244 | £ 311,210 |

| 9 | <u>2007</u> | <u>2006</u> |
|---------------|-------------|-------------|
| | £ | £ |
| Trade debtors | 1,438,857 | 946,254 |
| Other debtors | - | 7,353 |
| Prepayments | 6,500 | - |
| | £ 1,445,357 | £ 953,607 |

NEWBY TEAS (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONT'D)FOR THE YEAR ENDED 31 JULY 200710 CREDITORS amounts falling due within one year

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 613,289 | 229,566 |
| Trade creditors | 88,656 | 87,863 |
| Taxation | 32,908 | 41,856 |
| Group undertakings | 122,354 | 141,275 |
| Accruals | 16,043 | 11,288 |
| Social security and other taxes | 68 | - |
| | <u>£ 873,318</u> | <u>£ 511,848</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>2007</u> | <u>2006</u> |
|---|--------------|--------------|
| | £ | £ |
| Excess of taxation allowances over depreciation on fixed assets | <u>£ 600</u> | <u>£ 600</u> |

12 SHARE CAPITAL

Authorised

Allotted
called up and
fully paid

| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
|--------------------|------------------|------------------|------------------|------------------|
| | No | No | £ | £ |
| Ordinary £1 shares | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

| | <u>2007</u> | <u>2006</u> |
|-------------------------------|--------------------|--------------------|
| | £ | £ |
| Opening shareholders' funds | 1,001,575 | 909,280 |
| Profit for the year after tax | <u>64,292</u> | <u>92,295</u> |
| Closing shareholders' funds | <u>£ 1,065,867</u> | <u>£ 1,001,575</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.