

SETHIA LONDON LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004

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

Company number: 884903



SETHIA LONDON LIMITED

DIRECTORS' REPORT AND ACCOUNTS

The directors submit their report with the financial statements of the company for the year ended 31 July 2004

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £ 186,730 (2003: £ 119,650). The directors do not propose any transfer to reserve nor the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities were commission agents, trading in commodities and goods, commodity futures, shares, currencies and exporting. The result for the year is shown on page 4. The directors are confident of improved results in the year ahead, and they are continually seeking new business opportunities.

DIRECTORS AND THEIR INTERESTS

The directors and their interests in the share capital of the holding company were as follows:

	At 31.7.04	At 31.7.03
	<u>Ord. shares</u>	<u>Ord shares</u>
Nirmal K Sethia & spouse - beneficial holding	121,297	121,297
Nirmal K Sethia & spouse - non-beneficial holding	981,403	981,403
Rishi R Sethia	-	-
A K Pyne	-	-
J P S Booth	-	-

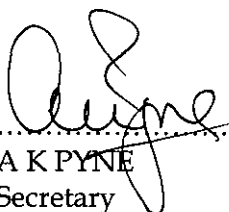
SETHIA LONDON LIMITEDDIRECTORS' REPORT AND ACCOUNTS(CONTINUED)DIRECTORS' RESPONSIBILITIES

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 for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then to apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- 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.

By order of the board

  
.....  
A K PYNE  
Secretary

31 December 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OFSETHIA LONDON LIMITED

We have audited the financial statements of Sethia London Limited for the year ended 31 July 2004, 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 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 two 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 misstatements within it.

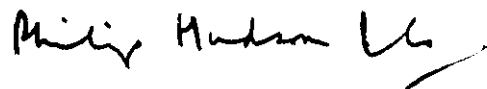
BASIS OF OPINION

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



PHILIP HUDSON & CO  
Chartered Accountants  
& Registered Auditors  
89 Chiswick High Road  
London W4 2EF

31 December 2004

SETHIA LONDON LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2004

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
TURNOVER - continuing operations	(2)	36,257,935	39,490,841
Cost of sales		(34,722,004)	(38,241,647)
Gross profit		1,535,931	1,249,194
Selling and distribution costs	(174,539)	(135,962)	
Establishment and administrative expenses	(721,774)	(754,852)	
		(896,313)	(890,814)
OPERATING PROFIT			
- continuing operations	(3)	639,618	358,380
Interest receivable	(4)	1,334	6,872
Provision (made)/ written back against subsidiary company investments		-	(100,000)
Interest payable and similar charges	(5)	(125,506)	(130,337)
Translation differences on exchange - profit/ (loss)	(7)	(243,243)	(14,505)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		272,203	120,410
Tax on profit on ordinary activities	(6)	(85,473)	(760)
RETAINED PROFIT FOR THE YEAR	(14)	£ 186,730	£ 119,650
		=====	=====

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two financial periods.

**Total recognised gains and losses**

The company has no recognised gains or losses other than the profit or loss for the above two financial periods.

The notes on pages 6 to 13 form an integral part of these accounts.

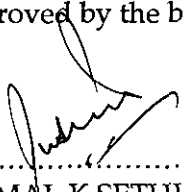
SETHIA LONDON LIMITED

BALANCE SHEET

AT 31 JULY 2004

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
FIXED ASSETS			
Tangible assets	(8)	136,261	107,743
Investments	(9)	2,717,296	2,021,891
		<u>2,853,557</u>	<u>2,129,634</u>
CURRENT ASSETS			
Stock	(10)	100,000	150,000
Debtors	(11)	5,141,539	5,249,684
Cash at bank and in hand		563,161	565,944
		<u>5,804,700</u>	<u>5,965,628</u>
CREDITORS: amounts falling due within one year			
	(12)	5,637,559	5,261,294
NET CURRENT ASSETS		<u>167,141</u>	<u>704,334</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£3,020,698</u> =====	<u>£ 2,833,968</u> =====
CAPITAL AND RESERVES (all equity interests)			
Called up share capital	(13)	1,200,000	1,200,000
Profit and loss account	(14)	1,820,698	1,633,968
		<u>£ 3,020,698</u> =====	<u>£ 2,833,968</u> =====

Approved by the board on 31 December 2004 and signed on its behalf by

  
 .....  
 NIRMAL K SETHIA  
 Director

The notes on pages 6 to 13 form an integral part of these accounts.

SETHIA LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2004

1. ACCOUNTING POLICIES

a) Accounting convention:

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention. Under Financial Reporting Standard 1 paragraph 8(c) the company is exempt from the requirement to publish a cash flow statement, as it is a wholly owned subsidiary of an UK undertaking.

b) 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:

Freehold building	- 2% pa straight line basis
Leasehold land and buildings	- over the term of the lease
Furniture and equipment	- 25% pa reducing instalment basis
Motor vehicles	- 25% pa reducing instalment basis

c) Stocks

Stocks are stated at the lower of cost and net realisable value

d) Foreign currencies:

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date except for certain non-monetary assets, which are translated at the historic sterling equivalent. Transactions in foreign currencies are recorded at the average rate for the year. Differences in currency transactions are taken to profit and loss account.

e) Assets acquired by hire purchase or lease:

Such assets are capitalised in accordance with Statement of Standard Accounting Practice 21 and are depreciated over their useful lives. Finance charges are calculated on the straight line basis and are charged to profit and loss account.

f) Deferred taxation

Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

SETHIA LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

2. TURNOVER

The turnover and pre-tax profit is attributable to trading in commodities and goods, commodity futures, shares, currencies, exporting and commission receivable (stated net of VAT). The turnover is attributable to continuing operations.

An analysis of turnover by geographical market is given below:

	<u>2004</u> £'000	<u>2003</u> £'000
Africa	44	70
Europe (ex UK)	2,070	5,684
United Kingdom	34,144	33,737
	<u>£36,258</u>	<u>£ 39,491</u>
	=====	=====

Analysis of turnover and gross profit by business activity

	<u>Turnover</u> £'000	<u>Gross Profit/(Loss)</u> £'000
Futures trading	33,204	(9)
Share trading	-	(50)
Commissions receivable	2,070	1,186
Management fees	915	340
Other income	69	69
	<u>£36,258</u>	<u>£ 1,536</u>
	=====	=====

3. OPERATING PROFIT

This is stated after charging/crediting:

	<u>2004</u> £	<u>2003</u> £
Directors' remuneration	268,009	262,686
Auditors' remuneration	17,000	16,850
Depreciation	27,774	17,699
Equipment rental	1,400	1,400
Profit on disposal of motor vehicle	(4,299)	-
Provision (made)/written back re subsidiary company investment	-	(100,000)
Stock valuation write down	50,000	-

The emoluments of the chairman, excluding pension contributions, were £ 140,744 (2003: £136,214)



SETHIA LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

3. OPERATING PROFIT (continued)

	<u>2004</u>	<u>2003</u>
	No.	No.
Employees:		
Average number of people employed during the year (administration etc.)	15	17
Cost in respect of these employees:		
Salaries	371,826	365,042
Social security costs	42,530	42,066
Other benefits	5,992	-
	<u>£420,348</u>	<u>£ 407,108</u>
	=====	=====

4. INTEREST RECEIVABLE

	<u>2004</u>	<u>2003</u>
Bank deposit interest	444	1,247
Other interest receivable	890	5,625
	<u>£1,334</u>	<u>£ 6,872</u>
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2004</u>	<u>2003</u>
On loans wholly repayable within five years	75,361	58,332
On loans wholly repayable within one year	50,145	72,005
	<u>£ 125,506</u>	<u>£130,337</u>
	=====	=====

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2004</u>	<u>2003</u>
UK Corporation tax: 30% (2003: 30%)	69,173	-
Adjustment for prior years	16,300	760
	<u>85,473</u>	<u>£ 760</u>
	=====	=====

SETHIA LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

7. <u>TRANSLATION DIFFERENCES ON EXCHANGE</u>	<u>2004</u>	<u>2003</u>
Translation differences on exchange:		
Retranslation of opening balances	(213,878)	(5,257)
Differences during the year	(29,365)	(9,248)
	<hr/>	<hr/>
Amounts credited to profit and loss account	£(243,243)	£ (14,505)
	<hr/>	<hr/>

8. TANGIBLE FIXED ASSETS

	Freehold property	Furn./ equip.	Motor vehicles.	Total
	£	£	£	£
Cost or valuation:				
At 1.8.03	62,830	335,640	129,311	527,781
Additions	-	4,001	59,992	63,993
Disposals	-	-	(102,556)	(102,556)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.7.04	62,830	339,641	86,747	489,218
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1.8.03	8,072	306,953	105,013	420,038
Charge for year	456	8,172	19,146	27,774
On disposals	-	-	(94,855)	(94,855)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.7.04	8,528	315,125	29,304	352,957
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value:				
At 31.7.04	54,302	24,516	57,443	£ 136,261
At 31.7.03	54,758	28,687	24,298	£ 107,743

Depreciation has not been charged on freehold land, which is stated at an estimated cost of £40,000 (2003: £40,000)

Included in the total net book value of tangible fixed assets held at 31.07.04 was £12,449 (2003: £16,597) in respect of assets held under finance leases and hire purchase contracts.

SETHIA LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

9. INVESTMENTS

At cost less provision for diminution in value:

At 1.8.03	2,021,891
Additions	840,405
Disposals	(145,000)
At 31.7.04	£ 2,717,296
	=====

Summary:	<u>2004</u>	<u>2003</u>
Unlisted investments	£2,717,296	£ 2,021,891
	=====	=====

The company holds more than 10% of the equity of the following companies:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Holding (shares)</u>	<u>Propn held</u>	<u>Nature of business</u>
Olero Investment Ltd.	Cyprus	300,000	100%	Dormant
Pashupati Securities Mauritius Ltd	Mauritius		100%	Investment company
The Hind Securities & Investment Ltd.	Mauritius		100%	Dormant
Newby Teas (UK) Ltd.	UK	1,000,000	100%	Tea merchants
Newby Teas Overseas PVT Ltd	India		51%	Dormant Tea packing
Intracs Ltd	UK	7,000	70%	Consultancy

	<u>Aggregate capital and reserves</u>		<u>Profit/(loss) for the year</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	£	£	£	£
Olero Investment Ltd	73,477	75,713	(2,236)	(3,159)
Pashupali Securites Mauritius Ltd	312,684	336,499	14,222	(616,721)
The Hind Securities & Investment Ltd	-	1,979	-	(15,275)
Newby Teas (UK) Ltd	-	143,295	-	7,159
Intracs Ltd	-	1	-	-
Newby Teas Overseas Pvt Ltd	-	-	-	-

SETHIA LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

10. STOCK 2004 2003

Investments held as trading stock	£ 100,000	£ 150,000
	=====	=====

11. DEBTORS 2004 2003

Trade debtors	-	401
Amounts owed by group undertakings	4,664,087	4,689,933
Other debtors	159,324	26,898
Prepayments, commissions payable in advance and accrued income	318,128	532,452
	<u>£ 5,141,539</u>	<u>£ 5,249,684</u>
	=====	=====

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2004</u>	<u>2003</u>
Bank loans and overdrafts	1,085,296	936,461
Trade creditors	30,005	26,041
Amounts owed to group undertakings	348,771	379,794
Corporation tax	85,473	-
Other taxes and social security costs	15,750	15,687
Other creditors	4,053,101	3,884,296
Accruals	19,163	19,015
	<u>£ 5,637,559</u>	<u>£ 5,261,294</u>
	=====	=====

Note:

The bank loans/ overdrafts are secured by a charge on group land and buildings.

SETHIA LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2004

13. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	No.	No.	£	£
Ordinary shares of £1 each	2,000,000	2,000,000	1,200,000	1,200,000
	=====	=====	=====	=====

14. RESERVES

	Profit and loss account
At 1.08.03	1,633,968
Profit for the period	186,730
At 31.07.04	<u>£ 1,820,698</u>
	=====

15. RECONCILIATION OF MOVEMENT  
IN SHAREHOLDERS' FUND

	<u>2004</u>	<u>2003</u>
Opening shareholders' funds	2,833,968	2,714,318
Profit for the financial year	186,730	119,650
Closing shareholders' funds	<u>£3,020,698</u>	<u>£2,833,968</u>
	=====	=====

SETHIA LONDON LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31 JULY 200416. HOLDING COMPANY

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

17. RELATED PARTY TRANSACTIONS

## Loans from related parties

	Balance at 1 August 03	Balance at 31 July 04	Maximum outstanding balance
	£	£	£
N K & C D Sethia as Trustees of the following settlements:			
Sethia 1999 Family Settlement	17,020	17,020	17,020
Rishi Raj Sethia Settlement	571,483	553,458	571,483
Puru Raj Sethia Settlement	66,143	41,222	66,143
Richa Sethia Settlement	1,336,214	1,313,566	1,336,214

Included in creditors is a sum of £ 674,857 (2003: £873,083) due to N Sethia Foundation. Mr. Nirmal K Sethia is a trustee of this registered charity.

Mr Nirmal K Sethia purchased a secondhand motor vehicle from the company for £12,000.

18. CONTINGENT LIABILITY

The company has given a guarantee of £250,000 covering the liabilities of Newby Teas (UK) Ltd, a subsidiary undertaking.

The company has given a guarantee of £76,296 covering a trade debtor of Olero Investments Ltd, a subsidiary undertaking.