

Co Reg No:

3904465

NEWBY TEAS (UK) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 July 2001



Director's Report

The directors submit their report and accounts for the year to 31 July 2001. The company commenced trading on 1 August 2000.

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 result 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 judgments and estimates that are reasonable and prudent and 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.

RESULTS AND DIVIDENDS

The loss on ordinary activities for the period, after taxation, amounted to £265,108. 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 to concentrating on sales to the fast expanding Russian market where the gross profit margins are considerably higher than in the UK.

DIRECTORS AND THEIR INTERESTS

The directors at 31 July 2001 who served throughout the year and their interests in the share capital of the holding company were as follows:-

	At 31.7.01	At 31.7.00
	Ord shares	Ord shares
Nirmal K Sethia - beneficial holding	219,620	219,620
non-beneficial holding	883,080	883,080
A K Pyne	-	-
J P S Booth	-	-

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

By Order of the Board


A K PYNE
Secretary

Dated: 31 December 2001

NEWBY TEAS (UK) LIMITED

We have audited the financial statements on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5 and in accordance with the Financial Reporting Standard for Smaller Entities.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis on opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board except that the scope of our work was limited as explained below. 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 judgments 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 preparation 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

33 Marloes Road
London, W8 6LG

Dated: 31 December 2001



Croft May & Co
Chartered Accountants
Registered Auditors

NEWBY TEAS (UK) LIMITED**3**

Profit and loss account
for the year to 31 July 2001

	2001
	£
TURNOVER (note 2)	411,901
Cost of sales	(311,843)
	<hr/>
Gross profit	100,058
Net operating expenses (note 3)	(365,166)
	<hr/>
OPERATING LOSS (note 4)	(265,108)
	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(265,108)
Tax on profit on ordinary activities (note 5)	-
	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION carried forward	£(265,108)
	<hr/>

The notes on pages 5 to 7 form part of these accounts.

NEWBY TEAS (UK) LIMITED

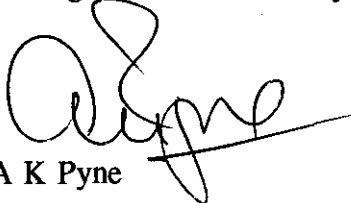
4

Balance sheet
at 31 July 2001

	£	2001 £
FIXED ASSETS		
Intangible Fixed Assets (note 6)		129,015
Tangible fixed assets (note 7)		<u>21,796</u>
		150,811
 CURRENT ASSETS		
Stock (note 8)	111,723	
Debtors (note 9)	34,120	
Cash at bank	<u>4,306</u>	
	150,149	
 CREDITORS: amounts falling due within one year (note 10)	 <u>(366,068)</u>	
 NET CURRENT (LIABILITIES)		 <u>(215,919)</u>
		<u>£(65,108)</u>
 CAPITAL AND RESERVES (all equity interests)		
Called up share capital (note 11)		200,000
Profit and loss account		<u>(265,108)</u>
		<u>£(65,108)</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 March 2000).

Approved by the Board on 31 December 2001
and signed on its behalf by


A K Pyne

Director

The notes on pages 5 to 7 form part of these accounts.

Notes to the accounts
at 31 July 2001

1 ACCOUNTING POLICIES

Accounting convention:

The accounts are prepared under the historical cost convention and the Financial Standard for Smaller Entities (effective March 2000). They have been prepared on 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.

Cash flow statement:

The company is not required to produce a cash flow statement as it is a small company as defined by section 247 of the Companies Act 1985.

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
Motor vehicles	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 of 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.

2 TURNOVER

Turnover represents the invoiced amounts of goods sold excluding VAT.

3 NET OPERATING EXPENSES

2001

£

Administrative expenses 365,166

(This includes a provision for a bad debt of £255,008 in respect of a non-trading debt due by a dormant fellow subsidiary undertaking, Newby Teas Ltd).

4 OPERATING LOSS

2001

£

This is stated after charging:

Auditors' remuneration 2,000

5 TAXATION

No tax liability arises in the year

Notes to the accounts
at 31 July 2001 (continued)

6	INTANGIBLE FIXED ASSETS				2001
	Additions:				£
	Trademark - at cost				143,000
	Patents - at cost				315
					<hr/>
					143,315
	Less: Depreciation				(14,300)
					<hr/>
	Net book value: 31.7.01				£129,015
					<hr/>
7	TANGIBLE FIXED ASSETS				
		Furniture and equipment	Computers	Motor vehicles	Total
		£	£	£	£
	Cost:				
	Additions	20,507	8,555	10,763	39,825
	Disposals	-	-	(10,763)	(10,763)
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31 July 2001	20,507	8,555	-	29,062
		<hr/>	<hr/>	<hr/>	<hr/>
	Depreciation:				
	Charge for the period	5,127	2,139	-	7,266
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31 July 2001	5,127	2,139	-	7,266
		<hr/>	<hr/>	<hr/>	<hr/>
	Net book value:				
	At 31 July 2001	15,380	6,416	-	21,796
		<hr/>	<hr/>	<hr/>	<hr/>
8	STOCKS				2001
					£
	Raw materials				57,264
	Finished goods				10,000
	Work-in-progress				44,459
					<hr/>
					£111,723
					<hr/>
9	DEBTORS				2001
					£
	Trade debtors				23,447
	Other debtors				10,673
					<hr/>
					£34,120
					<hr/>

Notes to the accounts (continued)
at 31 July 2001

10 CREDITORS: amounts falling due within one year	2001
	£
Bank loans and overdrafts	99,838
Trade creditors	98,051
Group undertakings	64,785
Accruals	3,240
Other creditors	100,154
	<u>£366,068</u>

11 SHARE CAPITAL

	Authorised	Allotted called up and fully paid
	2001 No.	2001 £
Ordinary shares of £1	<u>200,000</u>	<u>200,000</u>

199,999 ordinary shares of £1 each were allotted fully paid on 7 February 2000 for a consideration which comprised trade mark, motor vehicle, furniture and equipment, stock and £585 cash.

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001
	£
1 share issued for cash	1
199,999 shares allotted for a consideration other than cash	199,999
Loss for the year	(265,108)
Closing shareholders' funds	<u>£(65,108)</u>

13 HOLDING COMPANY

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