

**Subsidiary Company –
BALMER LAWRIE (UK) LIMITED**

**Pursuant to Approval given under Section 212(8) of the Companies Act, 1956 by the
Ministry of Company Affairs, Government of India**

**Financial Statements for the year ended 31st March, 2005 with corresponding
figures for the previous year are furnished in Indian Rupees converted at the
exchange rate as on 31.03.2005 – Rs. 43.57/USD**

BALMER LAWRIE (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	Continuing Operations 2005 Rs.	Discontinued Operations 2005 Rs.	Total 2005 Rs.	2004 Rs.
Turnover	2 and 3	6,26,52,135	2,48,35,249	8,74,87,384	20,71,72,605
Cost of sales	3	(47,47,431)	(1,72,63,044)	(2,20,10,475)	(9,77,46,681)
Gross Profit		5,79,04,704	75,72,205	6,54,76,909	10,94,25,924
Selling and distribution costs	3	(93,97,831)	(26,29,842)	(1,20,27,673)	(1,71,44,272)
Administration expenses	3	(3,65,19,546)	(1,07,50,941)	(4,72,70,487)	(7,93,07,378)
Operating profit/(loss)		1,19,87,327	(58,08,578)	61,78,749	1,29,74,274
Profit/(loss) on sale of fixed assets	5			3,42,06,938	(24,90,418)
Interest payable and similar charges	6			(28,99,976)	(1,04,51,441)
Profit on ordinary activities before taxation				3,74,85,711	32,415
Tax on profit on ordinary activities	9			(1,05,48,036)	1,56,67,990
Retained profit for the year	18			2,69,37,675	1,57,00,405

There are no recognised gains and losses other than those passing through the profit and loss account.

BALMER LAWRIE (UK) LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005		2004	
		Rs.	Rs.	Rs.	Rs.
Fixed Assets					
Tangible assets	10	28,92,93,472		42,63,76,761	
Investments	11	2,44,22,161		—	
			31,37,15,633		42,63,76,761
Current Assets					
Stocks	12	—		3,37,42,177	
Debtors	13	6,04,50,194		2,92,70,370	
Cash at bank and in hand		4,35,483		17,04,588	
		6,08,85,677		6,47,17,135	
Creditors : amounts falling due within one year	14	(6,15,68,114)		(9,64,15,138)	
Net current liabilities			(6,82,437)		(3,16,98,003)
Total assets less current liabilities			31,30,33,196		39,46,78,758
Creditors : amounts falling due after more than one year	15		(1,18,47,772)		(11,78,95,148)
Provisions for liabilities and charges	16		—		(25,35,861)
			30,11,85,424		27,42,47,749
Capital and reserves					
Share capital	17		23,25,53,916		23,25,53,916
Profit and loss account	18		6,86,31,508		4,16,93,833
Shareholders' fund – equity interests	19		30,11,85,424		27,42,47,749

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT.

1.4 Consolidated accounts

The financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt under Section 248 of the Companies Act, 1985 from the requirement to prepare consolidated accounts as the group the company heads qualifies as a small group.

1.5 Cashflow statement

The company is exempt from the requirement of Financial Reporting Standard 1, "Cashflow Statement" as it qualifies as a small company in accordance with the Companies Act, 1985.

1.6 Related party transactions

The company has taken advantage of the exemption granted under Financial Reporting Standard 8 "Related Party Disclosures", not to disclose details of transactions with entities belonging to the group.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not provided on freehold land.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:-

<i>Buildings</i>	<i>- 2% and 5%</i>	<i>Straight line basis</i>
<i>Containers</i>	<i>- 5.67%</i>	<i>Straight line basis</i>
<i>Fixtures and fittings</i>	<i>- 25%</i>	<i>Straight line basis</i>
<i>Plant and machinery</i>	<i>- 15%</i>	<i>Straight line basis</i>
<i>Motor vehicles</i>	<i>- 25%</i>	<i>Straight line basis</i>

1.8 Investments

Investment held as fixed assets are stated at historical cost less provision for any permanent diminution in value.

1.9 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.10 Stock

Stock is valued at the lower of cost and net realisable value.

1.11 Pensions

The pension costs charged in the financial statements represent the contribution payable by the company to employees' own personal pension schemes.

1.12 Foreign currency translation

The company's activities are more dependent on the American dollar than sterling, as the company's container operations

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

are dependent on the dollar. Consequently, the company's financial statements are prepared in American dollars.

The company's internal accounting of the tea division's operations continued to be produced in sterling. The division's activities have been expressed in dollars using the temporal method of foreign currency translation on applying the following bases;

- (a) Fixed assets are translated into dollars at the rates ruling on the date of acquisition.
- (b) Monetary assets and liabilities denominated in a foreign currency are translated into dollars at the foreign exchange rates ruling at the balance sheet date.
- (c) Revenue and expenses in foreign currencies are translated in dollars at the average rate for the year.
- (d) Any gains or losses arising on translation are taken to the profit and loss account.

1.13 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2 TURNOVER

Of the company's total turnover 29% (2004 – 66%) is attributable to tea sales in the UK market. The remainder is derived from its container leasing activity and consultancy services which are wholly undertaken outside the UK.

3. ANALYSIS OF OPERATIONS

On 1 July 2004 the company transferred the net assets and trade of the tea division to Balmer Lawrie (Tea) Limited. From 1 July 2004 Balmer Lawrie (UK) Ltd discontinued all activities previously undertaken by the tea division being the import, warehousing, blending and purchasing of speciality teas.

The company's continuing and discontinued activities are analysed below :

	Continuing Operations 2005 Rs.	Discontinued Operations 2005 Rs.	2005 Total Rs.	Continuing Operations 2004 Rs.	Discontinued Operations 2004 Rs.	2004 Total Rs.
Turnover	6,26,52,135	2,48,35,249	8,74,87,384	7,07,88,048	13,63,84,557	20,71,72,605
Cost of sales	(47,47,431)	(1,72,63,044)	(2,20,10,475)	(98,10,483)	(8,79,36,198)	(9,77,46,681)
Gross profit	5,79,04,704	75,72,205	6,54,76,909	6,09,77,565	4,84,48,359	10,94,25,924
Selling and distribution costs	(93,97,831)	(26,29,842)	(1,20,27,673)	(1,06,18,183)	(65,26,089)	(1,71,44,272)
Administration expenses	(3,65,19,546)	(1,07,50,941)	(4,72,70,487)	(4,36,03,680)	(3,57,03,698)	(7,93,07,378)
Operating profit/(loss)	<u>1,19,87,327</u>	<u>(58,08,578)</u>	<u>61,78,749</u>	<u>67,55,702</u>	<u>62,18,572</u>	<u>1,29,74,274</u>

4. OPERATING PROFIT/(LOSS)

	2005 Rs.	2004 Rs.
Operating profit/(loss) is stated after charging :		
Exchange loss	6,80,563	61,61,234
Depreciation	3,47,94,566	4,20,97,988
Auditors' remuneration	2,46,998	4,72,778

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

5. PROFIT/(LOSS) ON DISPOSAL OF FIXED ASSETS

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Profit on disposal of freehold land and buildings	3,18,98,599	—
Profit on disposal of plant and machinery	96,38,033	—
Loss on disposal of containers	(73,29,694)	(24,84,057)
Loss on disposal of fixtures, fittings and equipment	—	(6,361)
	<u>3,42,06,938</u>	<u>(24,90,418)</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
On bank loans and overdraft	35,84,504	72,06,696
Exchange (gain)/loss on foreign currency borrowings	(7,03,612)	31,15,647
Finance lease interest	19,084	1,29,098
	<u>28,99,976</u>	<u>1,04,51,441</u>

The exchange (gain)/loss arises from the translation of sterling denominated bank loans and overdrafts at the balance sheet date.

7. EMPLOYEES

The average monthly number of employees during the period were :

	<u>2005</u>	<u>2004</u>
Number of Employees :		
Administration	2	3
Sales Promotion	1	2
Warehouse Staff	2	12
	<u>5</u>	<u>17</u>

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Employment costs :		
Wages and salaries	45,09,800	1,89,97,784
Social security costs	2,15,759	18,39,743
Other pension costs	62,131	3,49,519
	<u>47,87,690</u>	<u>2,11,87,046</u>

The 2005 employee numbers and salary costs relate to the period 1 April 2004 to 30 June 2004 after which time all employees were transferred to Balmer Lawrie (Tea) Limited as part of the company's restructuring (see note 3). The transfer of all employees has lowered the average number for the year significantly. The average staff numbers in the three months to 30 June 2004 were, 2 administration, 1 sales and promotion and 10 warehouse.

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

8. DIRECTORS' EMOLUMENTS

	2005	2004
	Rs.	Rs.
Emoluments for qualifying services	12,38,347	44,98,210

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge (credit) in period :

	2005	2004
	Rs.	Rs.
Current taxation		
UK corporation tax charge for the year	86,08,343	2,96,407
Adjustment in respect of prior periods	3,12,745	—
Total current tax	89,21,088	2,96,407
Deferred taxation		
Origination and reversal of timing difference	11,94,689	8,93,882
Movement in exchange rates	4,32,259	(1,68,58,279)
Tax on profit on ordinary activities	1,05,48,036	(1,56,67,990)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year varies from the standard rate for the reasons set out in the following reconciliation.

	2005	2004
	Rs.	Rs.
Profit on ordinary activities before tax	3,74,85,711	32,415
Tax on profit on ordinary activities at standard rate	1,12,45,722	9,716
<i>Factors affecting charge for the period :</i>		
Depreciation for period in excess of capital allowances	49,46,589	22,95,006
Expenses not deductible for tax purposes	10,370	49,844
Adjustment in respect of prior periods	3,12,745	—
Utilisation of prior year losses	(75,94,338)	(20,58,159)
Total actual amount of current tax	89,21,088	2,96,407

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

10. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Containers	Plant and Machinery	Fixtures Fittings and Equipment	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost						
At 1 April 2004	5,04,19,465	64,13,17,766	3,73,16,136	67,20,411	34,99,804	73,92,73,582
Disposals	(2,07,52,304)	(6,20,19,542)	(2,68,21,038)	(1,42,822)	—	(10,97,35,706)
Transferred to group company	(2,96,67,161)	—	(1,04,95,098)	(65,77,589)	(34,99,804)	(5,02,39,652)
At 31 March 2005	<u>—</u>	<u>57,92,98,224</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>57,92,98,224</u>
Accumulated Depreciation						
At 1 April 2004	61,34,961	28,57,48,005	1,25,56,525	55,91,905	28,65,425	31,28,96,821
Charge for year	5,78,784	3,34,52,653	4,43,194	2,16,674	1,03,261	3,47,94,566
Eliminated on disposal	(40,93,750)	(2,91,95,906)	(57,07,321)	(1,25,351)	—	(3,91,22,328)
Transferred to group company	(26,19,995)	—	(72,92,398)	(56,83,228)	(29,68,686)	(1,85,64,307)
At 31 March 2005	<u>—</u>	<u>29,00,04,752</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,00,04,752</u>
Net Book Value						
At 31 March 2005	<u>—</u>	<u>28,92,93,472</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,92,93,472</u>
At 31 March 2004	<u>4,42,84,504</u>	<u>35,55,69,761</u>	<u>2,47,59,611</u>	<u>11,28,506</u>	<u>6,34,379</u>	<u>42,63,76,761</u>

Included above are assets held under finance leases or hire purchase contracts as follows :

	Motor vehicles
	Rs.
Net Book Value	
At 31 March 2005	<u>—</u>
At 31 March 2004	<u>6,34,379</u>
Depreciation charge for the year	
31 March 2005	<u>—</u>
31 March 2004	<u>3,25,337</u>

11. INVESTMENTS

Shares in group undertakings Cost and net book value

	2005	2004
	Rs.	Rs.
Additions in the year at 31 March 2005	<u>2,44,22,161</u>	<u>—</u>

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

The company has the following investment :

<u>Name of Company</u>	<u>Holding</u>	<u>Proportion of voting rights and shares held</u>	<u>Nature of business</u>
Balmer Lawrie (Tea) Limited Incorporated in England	Ordinary Shares	100%	Import, warehousing, blending and packaging of speciality teas

On 1 July 2004 the company invested Rs. 2,44,22,161 in Balmer Lawrie (Tea) Ltd following the transfer of the net assets and trade of the tea division to the new company (see note 3).

The aggregate amount of capital and reserves and the results of the subsidiary undertaking for the last relevant financial year were as follows :

	<u>Capital and Reserves 2005</u>	<u>Loss for the year 2005</u>
	Rs.	Rs.
Balmer Lawrie (Tea) Limited	<u>2,47,91,633</u>	<u>(1,93,977)</u>

12. STOCKS

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Finished goods	—	1,79,23,217
Raw materials	—	1,25,42,496
Work-in-progress	—	32,76,464
	<u>—</u>	<u>3,37,42,177</u>

13. DEBTORS

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Trade debtors	—	1,02,01,523
Amounts owed by group companies	—	14,85,606
Other debtors	4,81,47,900	19,84,788
Prepayments and accrued income	1,23,02,294	1,55,98,453
	<u>6,04,50,194</u>	<u>2,92,70,370</u>

14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Bank overdrafts	14,78,940	1,73,30,926
Bank loans	3,83,63,820	5,10,18,030
Obligations under finance leases and hire purchase contracts	—	3,03,291
Trade creditors	—	64,82,562
Amounts owed to subsidiary	87,32,474	92,93,655
Taxation and social security	86,08,343	11,19,705
Accruals and deferred income	43,84,537	1,08,66,969
	<u>6,15,68,114</u>	<u>9,64,15,138</u>

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

15. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Bank loans	1,18,47,772	11,73,67,341
Obligations under finance leases and hire purchase contracts	—	5,27,807
	<u>1,18,47,772</u>	<u>11,78,95,148</u>

Bank loans comprise of Rs. 3,58,16,196 (2004 : Rs. 12,91,25,185) provided by Fortis Bank N.V. secured by fixed and floating charge on the container assets financed by them, along with Rs. 1,43,95,396 (2004 Rs. 3,04,64,623) provided by HSBC Bank Plc secured on premises at 29A, Ashley Lane, Hendon, London. At 31 March 2004 there was also a loan balance of Rs. 87,95,563 provided by State Bank of India which was secured by fixed and floating charges over the assets of the tea division. This was transferred to Balmer Lawrie (Tea) Limited during the year.

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Analysis of bank loans		
Not wholly repayable in five years	16,57,316	1,82,99,487
Wholly repayable within five years	4,85,54,276	15,00,85,884
	<u>5,02,11,592</u>	16,83,85,371
Included in current liabilities	<u>(3,83,63,820)</u>	(5,10,18,030)
	<u>1,18,47,772</u>	<u>11,73,67,341</u>
Bank loan maturity analysis		
Within one year	3,83,63,820	5,10,18,030
Between one and two years	25,47,625	5,12,24,203
Between two and five years	76,42,831	4,78,43,651
In five years or more	16,57,316	1,82,99,487
	<u>3,83,63,820</u>	<u>11,73,67,341</u>
Obligations under finance leases and hire purchase contracts		
Repayable within one year	—	3,03,291
Repayable within two and five years	—	5,27,807
	<u>—</u>	8,31,098
Included within liabilities falling due within one year	<u>—</u>	(3,03,291)
	<u>—</u>	<u>5,27,807</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2005</u>
	Rs.
Provision for deferred tax	
Balance at 1 April 2004	25,35,861
Transfer to group company	(41,62,809)
Movement in exchange rates	4,32,259
Profit and loss account charge	11,94,689
Balance at 31 March 2005	<u>—</u>

BALMER LAWRIE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

16. Deferred tax (Contd.)

	2005	2004
	Rs.	Rs.
The provision for deferred taxation consists of the following amounts :		
Capital allowances in excess of depreciation	79,84,246	1,89,81,183
Unutilised tax losses	(79,84,246)	(1,64,45,322)
	—	25,35,861

In addition to the unutilised losses shown above there is a deferred tax asset of Rs. 25,01,049 (2004 Rs. Nil) in respect of further unutilised tax losses.

17. SHARE CAPITAL

	2005	2004
	Rs.	Rs.
Authorised		
40,00,000 Ordinary Shares of £1 each	26,92,04,129	26,92,04,129
Allotted, Called Up & Fully Paid		
33,80,312 (2004 : 33,80,312) Ordinary Shares of £1 each	23,25,53,916	23,25,53,916

18. STATEMENT OF MOVEMENT ON RESERVES

	Profit and Loss Account Rs.
Balance at 1 April 2004	4,16,93,833
Retained profit for the year	2,69,37,675
Balance at 31 March 2005	6,86,31,508

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005	2004
	Rs.	Rs.
Profit for the financial year	2,69,37,675	1,57,00,405
New share capital subscribed	—	1,73,46,306
	2,69,37,675	3,30,46,711
Opening shareholders' funds	27,42,47,749	24,12,01,038
Closing shareholders' funds	30,11,85,424	27,42,47,749

20. ULTIMATE PARENT COMPANY

The company's ultimate parent company and ultimate controlling party is Balmer Lawrie & Co. Limited, a company incorporated in India.

BALMER LAWRIE (UK) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	2005		2004	
	Rs.	Rs.	Rs.	Rs.
Sales				
Lease rentals – Containers	6,26,52,135		7,07,88,048	
Tea	2,48,35,249		13,19,52,094	
Craft & other	—		44,32,463	
		8,74,87,384		20,71,72,605
Cost of sales				
Containers : Handling charges	11,42,972		21,41,858	
Storage charges	7,71,973		24,81,965	
Depot charges	3,77,883		31,64,576	
Repairs and maintenance	24,54,603		20,22,084	
Tea	1,72,63,044		8,36,05,035	
Craft	—		43,31,163	
		(2,20,10,475)		(9,77,46,681)
Gross profit		6,54,76,909		10,94,25,924
Direct expenses	26,29,842		65,26,089	
Administration expenses	4,72,70,487		7,93,07,378	
Selling expenses	93,97,831		1,06,18,183	
		(5,92,98,160)		(9,64,51,650)
Operating profit		61,78,749		1,29,74,274
Profit/(loss) on disposal of fixed assets		3,42,06,938		(24,90,418)
Interest payable and similar charges				
Bank interest payable	35,84,504		72,06,696	
Exchange (gain)/loss on sterling loans	(7,03,612)		31,15,647	
Finance lease interest	19,084		1,29,098	
		(28,99,976)		(1,04,51,441)
Net profit before taxation		3,74,85,711		32,415

BALMER LAWRIE (UK) LIMITED

DIRECT ADMINISTRATIVE AND SELLING EXPENSES FOR THE YEAR ENDED 31 MARCH 2005

	<u>2005</u>	<u>2004</u>
	Rs.	Rs.
Direct expenses		
Warehouse expenses	2,89,958	26,74,937
Freight, shipping and carriage charges	9,09,785	20,53,977
Discount allowed	9,98,842	10,87,507
Consultants fees	4,31,257	7,09,668
	<u>26,29,842</u>	<u>65,26,089</u>
Administration expenses		
Wages and salaries	35,16,186	1,43,22,940
Employers national insurance	15,19,765	18,39,743
Pension costs	59,865	3,49,519
Repairs and maintenance	2,67,215	18,41,747
Heat and light	4,01,846	6,84,920
Insurance and security	2,40,289	7,14,548
Rates and taxes	12,82,962	14,24,303
Audit and accountancy	8,77,413	5,70,811
Bank charges	1,13,151	3,32,657
Legal and professional fees	1,16,680	60,170
Motor running expenses	2,88,826	7,29,928
Travel and subsistence	11,35,826	24,17,656
Printing, stationary and publications	60,780	3,04,598
Telephone, fax and postage	1,76,154	8,57,327
Marketing	70,932	2,17,981
Recruitment expenses	56,423	5,92,857
Sales promotion	7,22,608	27,20,990
Sundries	4,04,765	10,65,461
Provision against staff loan	4,83,672	—
Exchange (gain)/loss	6,80,563	61,61,234
Depreciation	3,47,94,566	4,20,97,988
	<u>4,72,70,487</u>	<u>7,93,07,378</u>
Container selling expenses		
Commission on rental income	<u>93,97,831</u>	<u>1,06,18,183</u>