

MARICO BANGLADESH LIMITED

Board of Directors	Harsh Mariwala, Chairman Milind Sarwate Shyam Sutaria Samir Shrivastav, Executive Director (Until April 20, 2004) Praveen Dalal, Executive Director (Appointed wef May 15, 2004)
Registered Office	272, Tejgaon Industrial Area, Dhaka – 1208, Bangladesh
Factory	Mouchak, Kaliakoir, Gazipur, Dhaka, Bangladesh
Auditors	Rahman Rahman Huq Chartered Accountants
Internal Auditors	Farhad Hussain & Co.
Bankers	Citibank N.A. Standard Chartered Bank
Legal Advisors	Lee, Khan & Partners 5/8, City Heart, 67 Naya Paltan, Dhaka-1000, Bangladesh
Distributor	Kallol Traders Limited 199, Tejgaon Industrial Area, Dhaka-1208, Bangladesh

DIRECTORS' REPORT

To,

The Members

The Board of Directors is pleased to present the fourth Annual Report together with audited accounts of your Company for the year ended September 30, 2003.

FINANCIAL RESULTS

	(Taka Million)		(Rs. Million)	
	2003	2002	2003	2002
Sales and Other Income	436.2	369.6	353.3	299.4
Profit before Tax & Exceptional items	93.0	26.6	75.3	21.5
Exceptional items	—	—	—	—
Profit before tax	93.0	26.6	75.3	21.5
Tax	(19.7)	(11.4)	(16.0)	(9.2)
Profit after Tax	73.3	15.2	59.4	12.3
Add : Surplus brought forward	16.8	1.6	13.6	1.3
Profit available for Appropriation	90.1	16.8	73.0	13.6
Appropriation:				
Tax Holiday Reserve	(17.5)	—	(14.2)	—
Surplus carried forward	72.6	16.8	58.8	13.6

SALES TURNOVER & PROFITABILITY

The year ended September 30, 2003 (FY03) has been a year of sustained volume growth. Turnover at Taka 434.3 million increased by 18 % over FY02. Profit before tax (PBT) at Taka 93.0 million and Profit after tax (PAT) at Taka 73.3 million showed impressive growths over the previous year.

NEW SUBSIDIARY

During the year, your Company incorporated a wholly owned subsidiary in August, 2003 in Bangladesh as MBL Industries Limited (MBLIL), to carry out trading operations.

DIVIDEND

No dividend is being proposed for this year.

AUDITORS

Messers Rahman Rahman Huq, Chartered Accountants, retire and being eligible offer themselves for re-appointment as Auditors of the Company.

HUMAN RESOURCES

The Board wishes to place on record its appreciation of the co-operation and support received from all members of the organisation.

ACKNOWLEDGEMENT

The Board acknowledges the continued support and assistance received from the Government of Bangladesh, Bankers, Vendors, Distributors and other business associates and looks forward to continued support of all these partners in progress.

For and on behalf of Board of Directors

Place: Dhaka

Date: January 5, 2004

SAMIR SRIVASTAV

Executive Director

SHYAM SUTARIA

Director

AUDITORS' REPORT

To

The Shareholders of Marico Bangladesh Limited

We have audited the accompanying balance sheet of Marico Bangladesh Limited for the year ended September 30, 2003 and the related profit and loss account, statement of changes in shareholders' equity and cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the affairs of the company and its subsidiary ("the group") for the year ended September 30, 2003 and of the results of its operations and cash flow for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's as well as the group's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

Rahman Rahman Huq

Place : Dhaka

Date : January 5, 2004

Auditor

MARICO BANGLADESH LIMITED

BALANCE SHEET

		As At September 30,			
	Notes	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
SOURCES OF FUNDS					
Shareholders equity					
Share capital	4	10,000,000	10,000,000	8.100	8.100
Tax holiday reserve		17,500,000	–	14.175	–
Accumulated profit		72,543,058	16,773,434	58.759	13.586
Total		100,043,058	26,773,434	81.034	21.686
APPLICATION OF FUNDS					
Property, Plant and Equipment					
Cost	5	24,166,097	10,642,176	19.575	8.620
Less : Accumulated depreciation		5,868,253	2,262,895	4.753	1.833
		<u>18,297,844</u>	<u>8,379,281</u>	<u>14.822</u>	<u>6.787</u>
Investments		999,960	–	0.810	–
Current Assets					
Inventories	6	3,687,734	105,950	2.986	0.085
Goods in transit		12,507,000	–	10.131	–
Trade debtors	7	25,272,255	1,346,156	20.471	1.090
Advances and deposits	8	55,253,525	17,979,448	44.755	14.563
Cash and bank balances	9	62,388,023	25,784,798	50.534	20.886
Total current assets		159,108,537	45,216,352	128.877	36.624
Less : Current Liabilities and Provisions					
Liability for expenses	10	50,974,916	15,775,630	41.290	12.778
Provision for income tax	11	14,408,408	10,725,006	11.671	8.687
Payable to holding Company		12,507,000	–	10.131	–
Other liabilities	12	472,959	321,563	0.383	0.260
Total current liabilities		78,363,283	26,822,199	63.475	21.725
Net Current Assets		<u>80,745,254</u>	<u>18,394,153</u>	<u>65.402</u>	<u>14.899</u>
Total		100,043,058	26,773,434	81.034	21.686

The accompanying notes 1 to 19 form an integral part of these financial statements.

As per our separate report of even date

For and on behalf of the Board of Directors

Rahman Rahman Huq

Auditor

Samir Srivastav
Executive Director

Shyam Sutaria
Director

Place: Dhaka

Date: January 5, 2004

Place: Dhaka

Date: January 5, 2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

MARICO BANGLADESH LIMITED

CONSOLIDATED BALANCE SHEET

	Notes	As At September 30, 2003	
		Taka	Rs. million
SOURCES OF FUNDS			
Shareholders equity			
Share capital	4	10,000,000	8.100
Tax holiday reserve		17,500,000	14.175
Accumulated profit		73,993,048	59.934
		101,493,048	82.209
Minority interest	4a	98	0
Total		101,493,146	82.209
APPLICATION OF FUNDS			
Property, Plant and Equipment			
Cost	5	24,166,097	19.575
Less: Accumulated depreciation		5,868,253	4.753
		18,297,844	14.822
Current Assets			
Stock of spares	6	3,687,734	2.987
Goods in transit		12,507,000	10.130
Trade debtors	7a	31,796,777	25.755
Advances and deposits	8	55,253,525	44.755
Cash and bank balances	9a	77,602,636	62.858
Total current assets		180,847,672	146.485
Less: Current Liabilities and Provisions			
Liability for expenses	10a	69,003,840	55.893
Provision for income tax	11a	15,358,408	12.440
Payable to holding company		12,507,000	10.131
Other liabilities	12a	783,122	0.634
Total current liabilities		97,652,370	79.098
Net Current Assets		83,195,302	67.387
Total		101,493,146	82.209

The accompanying notes 1 to 19 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq
Auditor

Place: Dhaka
Date: January 5, 2004

For and on behalf of the Board of Directors

Samir Srivastav Shyam Sutaria
Executive Director Director

Place: Dhaka
Date: January 5, 2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

MARICO BANGLADESH LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended September 30,

Notes	2003			2002	2003	2002
	Taka					
	Trading from 01.10.02 to 17.04.03	Mfg. from 27.10.02 to 30.09.03	Total	Taka	Rs. million	Rs. million
Turnover	215,653,252	218,642,599	434,295,851	369,441,951	351.780	299.248
Cost of sales	13 (113,516,323)	(116,721,966)	(230,238,289)	(259,515,834)	(186.492)	(210.208)
Gross profit	102,136,929	101,920,633	204,057,562	109,926,117	165.288	89.040
General and administration expenses	14 (7,885,290)	(19,210,646)	(27,095,936)	(16,322,186)	(21.948)	(13.221)
Selling and distribution expenses	15 (43,930,338)	(42,000,375)	(85,930,713)	(67,117,482)	(69.604)	(54.365)
Net profit for the year	50,321,301	40,709,612	91,030,913	26,486,449	73.735	21.454
Other income	–	1,938,711	1,938,711	141,174	1.570	0.114
Net profit before taxation	50,321,301	42,648,323	92,969,624	26,627,623	75.305	21.568
Provision for taxation	(19,000,000)	(700,000)	(19,700,000)	(11,423,554)	(15.957)	(9.253)
Net profit after taxation	31,321,301	41,948,323	73,269,624	15,204,069	59.348	12.314
Tax holiday reserve	–	(17,500,000)	(17,500,000)	–	(14.175)	–
Profit brought forward	–	16,773,434	16,773,434	1,569,365	13.586	1.271
Profit carried forward to the balance sheet	31,321,301	41,221,757	72,543,058	16,773,434	58.759	13.586

The accompanying notes 1 to 19 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq
Auditor

For and on behalf of the Board of Directors

Samir Srivastav Shyam Sutaria
Executive Director Director

Place: Dhaka

Date: January 5, 2004

Place: Dhaka

Date: January 5, 2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	for the year ended September 30, 2003	
		Taka	Rs. million
Turnover		454,782,533	368.374
Cost of sales	13a	(247,217,212)	(200.246)
Gross Profit		207,565,321	168.128
General and administration expenses	14a	(27,203,645)	(22.035)
Selling and distribution expenses	15a	(86,930,715)	(70.414)
Net profit for the year		93,430,961	75.679
Other income		1,938,711	1.570
Net profit before taxation		95,369,672	77.249
Provision for taxation		(20,650,000)	(16.727)
Net profit after taxation		74,719,672	60.523
Minority profit		(58)	–
Tax holiday reserve		(17,500,000)	(14.175)
Profit brought forward		16,773,434	13.586
Profit carried forward to the balance sheet		73,993,048	59.934

The accompanying notes 1 to 19 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq
Auditor

Place: Dhaka
Date: January 5, 2004

For and on behalf of the Board of Directors

Samir Srivastav Shyam Sutaria
Executive Director Director

Place: Dhaka
Date: January 5, 2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	for the year ended September 30, 2003		
In Taka	Share capital	Unappropriated profit	Total
Balance at 30 September 2001	10,000,000	1,569,365	11,569,365
Net profit after tax for the year 2002	–	15,204,069	15,204,069
Balance at 30 September 2002	10,000,000	16,773,434	26,773,434
Net profit after tax for the year 2003	–	73,269,624	73,269,624
Balance at 30 September 2003	10,000,000	90,043,058	100,043,058

In Rs. million	Share capital	Unappropriated profit	Total
Balance at 30 September 2001	8.100	1.272	9.372
Net profit after tax for the year 2002	–	12.314	12.314
Balance at 30 September 2002	8.100	13.586	21.686
Net profit after tax for the year 2003	–	59.348	59.348
Balance at 30 September 2003	8.100	72.934	81.034

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	for the year ended September 30, 2003		
In Taka	Share capital	Unappropriated profit	Total
Balance at 30 September 2002	10,000,000	16,773,434	26,773,434
Net profit after tax for the year 2003	–	74,719,672	74,719,672
Minority profit for the year 2003	–	(58)	(58)
Balance at 30 September 2003	10,000,000	91,493,048	101,493,048

In Rs. million	Share capital	Unappropriated profit	Total
Balance at 30 September 2002	8.100	13.586	21.686
Net profit after tax for the year 2003	–	60.523	60.523
Minority profit for the year 2003	–	–	–
Balance at 30 September 2003	8.100	74.109	82.209

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

CASH FLOW STATEMENT

		for the year ended September 30,			
		2003	2002	2003	2002
		Taka	Taka	Rs. million	Rs. million
A) Cash Flow from Operating activities					
Net Profit / (loss) after tax		73,269,624	15,204,069	59.348	12.315
Add: Depreciation (after adjustment)		3,605,358	1,405,655	2.920	1.139
		76,874,982	16,609,724	62.268	13.454
Changes in working capital:					
Current liabilities increased / (decreased)		51,541,084	7,623,579	41.748	6.175
Current assets (increased) / decreased		(77,288,960)	1,978,302	(62.604)	1.602
Cash generated from operation		51,127,106	26,211,605	41.412	21.231
Net cash generated from operating activities	A	51,127,106	26,211,605	41.412	21.231
B) Cash flow from investing activities					
Acquisition of fixed assets		(13,523,921)	(7,257,058)	(10.954)	(5.878)
Acquisition of shares in subsidiary		(999,960)	–	(0.810)	–
Net cash generated from investing activities	B	(14,523,881)	(7,257,058)	(11.764)	(5.878)
C) Net increase in cash and cash equivalents	(A + B)	36,603,225	18,954,547	29.648	15.353
D) Opening cash and cash equivalents		25,784,798	6,830,251	20.886	5.533
E) Closing cash and cash equivalent	(C + D)	62,388,023	25,784,798	50.534	20.886

CONSOLIDATED CASH FLOW STATEMENT

		for the year ended September 30, 2003	
		Taka	Rs. million
A) Cash flow from operating activities			
Net profit/(loss) after tax		74,719,672	60.523
Add: Depreciation (after adjustment)		3,605,358	2.920
		78,325,030	63.443
Changes in working capital:			
Current liabilities increased/(decreased)		70,830,171	57.372
Current assets (increased)/decreased		(83,813,482)	(67.889)
Cash generated from operation		65,341,719	52.927
Net cash generated from operating activities	A	65,341,719	52.927
B) Cash flow from investing activities			
Acquisition of fixed assets		(13,523,921)	(10.954)
Minority interest		40	–
Net cash generated from investing activities	B	(13,523,881)	(10.954)
C) Net increase in cash and cash equivalent	(A+B)	51,817,838	41.972
D) Opening cash and cash equivalents		25,784,798	20.886
E) Closing cash and cash equivalent	(C+D)	77,602,636	62.858

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

Note: The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

1. Company profile

Marico Bangladesh Limited (MBL) is a private limited company incorporated on September 6, 1999 in Bangladesh under the Companies Act, 1994. The present authorised and paid up capital is Taka 10,000,000 divided into 1,000,000 ordinary shares of Taka 10 each. The company is a wholly owned subsidiary of Marico Industries Limited, India.

The company started commercial operation from January 30, 2000.

1.1 Description of subsidiary MBL Industries Limited

MBL Industries Limited is a private limited company registered under the Companies Act, 1994 with an authorised capital of Taka 1,000,000 divided into 100,000 ordinary shares of Taka 10 each. Marico Bangladesh Limited acquired 99,996 ordinary shares of MBL Industries Limited on August 4, 2003.

2. Nature of business

The principal activities of the company are to manufacture, market and sell hair oils and other consumer products.

MBL has set up a manufacturing unit at Gazipur and went into commercial production from October 27, 2002 and from April 17, 2003 MBL discontinued its trading business. The land and factory building has been taken on lease and for this the company entered into a lease agreement on May 30, 2002 for a period of 5 years which is covered by tripartite agreement amongst Quality Chemical Industries Ltd., Marico Bangladesh Limited and Bangladesh Shilpa Bank.

3. Principal accounting policies

3.1 Basis of accounting

These accounts have been prepared in accordance with Bangladesh Accounting Standards (BAS).

3.2 Fixed assets and depreciation

Fixed assets related to plant and machinery have been procured by Ethical Drugs Ltd. (EDL) on behalf of MBL for its operation but under the arrangement between MBL and EDL, the ownership of the assets remained with MBL and has been accounted for accordingly.

Fixed assets are stated at cost less accumulated depreciation. Depreciation has been charged on straight line method. Considering the estimated useful lives of the assets the following rates have been applied:

Plant and machinery	20% – 50%
Equipment	20% – 33.33%
Vehicle	20%
Furniture and fixture	15%

3.3 Basis of consolidation

These consolidated financial statements have been prepared in accordance with BAS no. 27. In respect of the subsidiary undertaking, audited financial statements for the period August 4, 2003 to September 30, 2003 have been used to draw up these financial statements.

3.4 Revenue recognition

Sales are recognized at the time of delivery of goods to the distributor and are exclusive of VAT.

3.5 Taxation

Provision for income tax is made on the basis of company's computation of fiscal profit until the assessment is finalised by tax authorities. Adjustment, if any, arising out of assessment would be made in the year the assessment is completed.

3.6 Reporting currency and level of precision

The figures in the financial statements are denominated in Bangladesh taka, which have been rounded off to the nearest integer.

3.7 Stock and stores

These are valued at lower of average cost of material and net realizable value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

3.8 Reporting period

Financial statements of the company cover the period from October 1, 2002 to September 30, 2003.

4. Share capital

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Authorised:				
1,000,000 Ordinary shares of Taka 10 each	10,000,000	10,000,000	8.100	8.100
Paid up:				
1,000,000 Ordinary shares of Taka 10 each fully paid up in cash	10,000,000	10,000,000	8.100	8.100

The shares are held by Marico Industries Limited, India and its nominees.

4a. Minority interest

This represents the following:

Shares of	Shares held by	No. of shares	Value per share Taka	Total Taka	Total Rs. million
MBL Industries Limited	Directors	4	10	40	0
Add: Attributed profit of MBL Industries Limited				58	0
				98	0

5. Property, plant and equipment

Amount in Taka

Particulars	Cost				Depreciation				Net book value	
	As at Oct. 1, 2002	Addition during the year	Disposal during the year	As at Sept. 30, 2003	As at Oct. 1, 2002	Charged for the year	Adjusted for the year	As at Sept. 30, 2003	As at Sept. 30, 2003	As at Sept. 30, 2002
Plant and machinery	5,297,705	3,232,901	-	8,530,606	1,448,203	1,587,033	-	3,035,236	5,495,370	3,849,502
Vehicle	2,886,919	1,731,317	195,429	4,422,807	570,369	718,387	71,658	1,217,098	3,205,709	2,316,550
Equipments	2,183,556	7,088,880	-	9,272,436	200,945	1,157,234	-	1,358,179	7,914,257	1,982,611
Furniture and fixture	273,996	1,666,252	-	1,940,248	43,378	214,362	-	257,740	1,682,508	230,618
Total	10,642,176	13,719,350	195,429	24,166,097	2,262,895	3,677,016	71,658	5,868,253	18,297,844	8,379,281

Amount in Rs. million

Particulars	Cost				Depreciation				Net book value	
	As at Oct. 1, 2002	Addition during the year	Disposal during the year	As at Sept. 30, 2003	As at Oct. 1, 2002	Charged for the year	Adjusted for the year	As at Sept. 30, 2003	As at Sept. 30, 2003	As at Sept. 30, 2002
Plant and machinery	4.291	2.619	-	6.910	1.173	1.285	-	2.458	4.452	3.118
Vehicle	2.338	1.402	0.158	3.582	0.462	0.582	0.058	0.986	2.596	1.876
Equipment	1.769	5.742	-	7.511	0.163	0.937	-	1.100	6.411	1.606
Furniture and fixtures	0.222	1.350	-	1.572	0.035	0.174	-	0.209	1.363	0.187
Total	8.620	11.113	0.158	19.575	1.833	2.978	0.058	4.753	14.822	6.787

5.1 The depreciation method has been changed this year from reducing balance method to straight Line method and asset whose cost price was Tk 5000 (Rs. 4,050) at maximum has been fully depreciated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

6. Inventories	2003	2002	2003	2002
	Taka	Taka	Rs. million	Rs. million
Spare parts	–	105,950	–	0.085
Raw materials	2,192,892	–	1.776	–
Packing materials (bottles)	215,713	–	0.175	–
Packing materials (cartons)	119,700	–	0.097	–
Packing materials (caps)	1,102,000	–	0.894	–
Finished goods	57,429	–	0.047	–
	3,687,734	105,950	2.986	0.085

7. Trade debtors	2003	2002	2003	2002
Receivable from Kallol Traders Ltd. (KTL)	25,272,255	1,346,156	20.471	1.090

7a. Consolidated trade debtors

	2003			2003
	MBL	MBL Ind. Ltd.	Total	Total
	Taka	Taka	Taka	Rs. million
Receivable from KTL	25,272,255	6,524,522	31,796,777	25.755

8. Advances and deposits

	2003	2002	2003	2002
	Taka	Taka	Rs. million	Rs. million
<i>Advances:</i>				
For goods	46,014,749	379,791	37.272	0.308
For services	5,213,549	16,306,218	4.224	13.208
	51,228,298	16,686,009	41.496	13.516
<i>Deposits:</i>				
VAT current account	1,388,298	554,639	1.125	0.449
Security deposit	2,636,929	738,800	2.136	0.598
	4,025,227	1,293,439	3.260	1.048
	55,253,525	17,979,448	44.755	14.563

9. Cash and bank balances

	2003	2002	2003	2002
	Taka	Taka	Rs. million	Rs. million
Cash on hand	213,462	186,764	0.173	0.151
Cash at banks:				
Citibank N.A.	20,261,185	2,462,991	16.412	1.994
Standard Chartered Bank (Note 9.1)	41,913,376	23,135,043	33.950	18.739
	62,174,561	25,598,034	50.361	20.734
	62,388,023	25,784,798	50.534	20.886

9.1 Cash at Standard Chartered Bank

The company enjoys overdraft facilities with a limit of Taka 20,000,000 (Rs. 16.200 million) from Standard Chartered Bank, Dhaka which is secured against letter of credit for Taka 20,000,000 (Rs. 16.200 million) from Standard Chartered Bank/Standard Chartered Grindlays Bank, Mumbai, India, demand promissory note and letter of continuation for the same amount. However, the facility has not been availed during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

9a. Consolidated cash and bank balances

	2003			2003
	MBL Taka	MBL Ind. Ltd. Taka	Total Taka	Total Rs. million
Cash on hand	213,462	33,790	247,252	0.200
Cash at banks:				
Citibank N.A.	20,261,185	–	20,261,185	16.412
Standard Chartered Bank	41,913,376	15,180,823	57,094,199	46.246
	<u>62,174,561</u>	<u>15,180,823</u>	<u>77,355,384</u>	<u>62.658</u>
	<u>62,388,023</u>	<u>15,214,613</u>	<u>77,602,636</u>	<u>62.858</u>

10. Liability for expenses

	2003	2002	2003	2002
	Taka	Taka	Rs. million	Rs. million
Business promotion expenses	17,787,328	2,781,405	14.408	2.254
Advertisement expenses	17,100,001	3,438,160	13.851	2.785
Audit fees	265,000	75,000	0.215	0.061
Consulting fees	30,000	15,000	0.024	0.012
Legal charges	10,000	205,000	0.008	0.166
Provision for bad debt	–	2,465,950	–	1.997
Provision for claim	12,753,861	6,009,000	10.331	4.867
Other expenses	3,028,726	786,115	2.453	0.637
	<u>50,974,916</u>	<u>15,775,630</u>	<u>41.290</u>	<u>12.778</u>

10a. Consolidated liability for expenses

	2003			2003
	MBL Taka	MBL Ind. Ltd. Taka	Total Taka	Total Rs. million
Payable to Ethical Drugs Ltd.	–	16,978,924	16,978,924	13.753
Business promotion expenses	17,787,328	1,000,000	18,787,328	15.218
Advertisement expenses	17,100,001	–	17,100,001	13.851
Audit fees	265,000	50,000	315,000	0.255
Consulting fees	30,000	–	30,000	0.024
Legal charges	10,000	–	10,000	0.008
Provision for claim	12,753,861	–	12,753,861	10.331
Other expenses	3,028,726	–	3,028,726	2.453
	<u>50,974,916</u>	<u>18,028,924</u>	<u>69,003,840</u>	<u>55.893</u>

11. Provision for income tax

	2003	2002	2003	2002
	Taka	Taka	Rs. million	Rs. million
Opening balance	10,725,006	1,500,000	8.687	1.214
Add: Provision for current taxation	19,700,000	11,423,554	15.957	9.254
	<u>30,425,006</u>	<u>12,923,554</u>	<u>24.645</u>	<u>10.468</u>
Less: Provision adjusted	10,032,966	–	8.128	–
	<u>20,392,040</u>	<u>12,923,554</u>	<u>16.518</u>	<u>10.468</u>
Less: Advance tax paid	5,983,632	2,198,548	4.848	1.781
	<u>14,408,408</u>	<u>10,725,006</u>	<u>11.671</u>	<u>8.687</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

11a. Consolidated provision for income tax

	2003			2003
	MBL Taka	MBL Ind. Ltd. Taka	Total Taka	Total Rs. million
Opening balance	10,725,006	–	10,725,006	8.687
Add: Provision for current tax	19,700,000	950,000	20,650,000	16.727
	30,425,006	950,000	31,375,006	25.414
Less: Provision adjusted	10,032,966	–	10,032,966	8.127
	20,392,040	950,000	21,342,040	17.287
Less: Advance tax paid	5,983,632	–	5,983,632	4.847
	<u>14,408,408</u>	<u>950,000</u>	<u>15,358,408</u>	<u>12.440</u>

12. Other liabilities

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Tax deducted from suppliers' bills	472,959	321,563	0.383	0.260

12a. Consolidated other liabilities

	2003			2003
	MBL Taka	MBL Ind. Ltd. Taka	Total Taka	Total Rs. million
Tax deducted from suppliers	472,959	1,500	474,459	0.384
VAT payable	–	308,663	308,663	0.250
	<u>472,959</u>	<u>310,163</u>	<u>783,122</u>	<u>0.634</u>

13. Cost of sales

	2003			2002 Taka	2003 Rs. million	2002 Rs. million
	Trading from 1 Oct 2002 to 17 April 2003 Taka	Manufacturing from 27 Oct 2002 to 30 Sep 2003 Taka	Total Taka			
Purchase	134,556,243	112,766,085	247,322,328	385,269,281	200.331	312.068
Less: Price difference	21,039,920	–	21,039,920	126,154,816	17.042	102.185
Closing inventory	–	3,687,734	3,687,734	–	2.987	–
	<u>21,039,920</u>	<u>3,687,734</u>	<u>24,727,654</u>	<u>126,154,816</u>	<u>20.029</u>	<u>102.185</u>
	113,516,323	109,078,351	222,594,674	259,114,465	180.302	209.883
Add: Factory overhead	–	5,050,488	5,050,488	398,869	4.091	0.323
Carriage inward	–	2,593,127	2,593,127	2,500	2.100	0.002
	–	7,643,615	7,643,615	401,369	6.191	0.325
	<u>113,516,323</u>	<u>116,721,966</u>	<u>230,238,289</u>	<u>259,515,834</u>	<u>186.492</u>	<u>210.208</u>

13a. Consolidated cost of sales

	2003			2003
	MBL Taka	MBL Ind. Ltd. Taka	Total Taka	Total Rs. million
Purchase	247,322,328	16,978,924	264,301,252	214.084
Less: Price difference	21,039,921	–	21,039,921	17.042
Closing inventory	3,687,734	–	3,687,734	2.987
	<u>24,727,655</u>	<u>–</u>	<u>24,727,655</u>	<u>20.029</u>
	222,594,673	16,978,924	239,573,597	194.055
Add: Factory overhead	5,050,488	–	5,050,488	4.091
Carriage inward	2,593,127	–	2,593,127	2.100
	7,643,615	–	7,643,615	6.191
	<u>230,238,288</u>	<u>16,978,924</u>	<u>247,217,212</u>	<u>200.246</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

14. General and administration expenses

	2003			2002 Taka	2003 Rs. million	2002 Rs. million
	Trading from 1 Oct 2002 to 17 April 2003 Taka	Manufacturing from 27 Oct 2002 to 30 Sep 2003 Taka	Total Taka			
Salaries and allowances(Note 14.1)	4,702,403	7,552,626	12,255,029	3,098,015	9.927	2.509
Rent	460,168	381,329	841,497	947,783	0.682	0.768
Consulting fee	91,037	1,210,344	1,301,381	642,500	1.054	0.520
Security charges	151,137	227,279	378,416	–	0.307	–
Legal charges	64,295	59,705	124,000	471,350	0.100	0.382
Repair and maintenance	657,199	488,960	1,146,159	2,139,978	0.928	1.733
Communication expenses	513,053	925,039	1,438,092	1,012,707	1.165	0.820
Entertainment	140,947	232,811	373,758	205,718	0.303	0.167
Printing and stationery	125,709	111,320	237,029	212,690	0.192	0.172
Vehicle running expenses	474,967	937,638	1,412,605	269,085	1.144	0.218
Travelling and conveyance	1,005,312	1,958,017	2,963,329	1,118,191	2.400	0.906
Audit fees	–	169,288	169,288	75,000	0.137	0.061
Recruitment expenses	2,143	6,651	8,794	113,406	0.007	0.092
Subscription and donation	76	60,194	60,270	130,490	0.049	0.106
Fees, forms and renewals	193,873	148,612	342,485	145,935	0.277	0.118
Insurance premium	–	813,557	813,557	152,246	0.659	0.123
Books and periodicals	6,106	22,773	28,879	12,946	0.023	0.010
Crockeries and cutleries	4,896	1,558	6,454	24,554	0.005	0.020
Bank interest and charges	16,653	43,648	60,301	165,990	0.049	0.134
Medical expenses	99	7,648	7,747	22,145	0.006	0.018
Carriage outward	94,868	397,932	492,800	103,032	0.399	0.083
Fooding and lodging	192,297	194,679	386,976	1,243,970	0.313	1.008
Staff welfare expenses	77,545	98,854	176,399	34,180	0.143	0.028
Conference and training exp.	234,628	284,166	518,794	57,620	0.420	0.047
LC expenses	–	642,247	642,247	51,050	0.520	0.041
Electricity and gas charges	91,070	176,621	267,691	–	0.217	–
Loss on sale of assets	48,379	15,392	63,771	–	0.052	–
Royalty	–	1,066,352	1,066,352	–	0.864	–
Bad debt provision	(1,463,571)	(465,638)	(1,929,209)	2,465,950	(1.563)	1.997
Depreciation	–	1,441,045	1,441,045	1,405,655	1.167	1.139
	7,885,289	19,210,647	27,095,936	16,322,186	21.948	13.221

14.1 Salaries and allowances:

These include remuneration of Tk 2,474,670 (Rs. 2.005 million) to executive director for salaries and benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

14a. Consolidated general and administration expenses

	2003			2003
	MBL	MBL Ind. Ltd.	Total	Total
	Taka	Taka	Taka	Rs. million
Salaries and allowances	12,255,029	–	12,255,029	9.927
Rent	841,497	–	841,497	0.682
Consulting fee	1,301,380	–	1,301,380	1.054
Security charges	378,416	–	378,416	0.307
Legal charges	124,000	–	124,000	0.100
Repair and maintenance	1,146,159	–	1,146,159	0.928
Communication expenses	1,438,093	–	1,438,093	1.165
Entertainment	373,758	–	373,758	0.303
Printing and stationery	237,029	–	237,029	0.192
Vehicle running expenses	1,412,605	–	1,412,605	1.144
Travelling and conveyance	2,963,329	–	2,963,329	2.400
Audit fees	169,288	50,000	219,288	0.178
Recruitment expenses	8,794	–	8,794	0.007
Subscription and donation	60,270	–	60,270	0.049
Fees, forms and renewals	342,483	–	342,483	0.277
Insurance premium	813,557	–	813,557	0.659
Books and periodicals	28,879	–	28,879	0.023
Crockeries and cutleries	6,454	–	6,454	0.005
Bank interest and charges	60,302	–	60,302	0.049
Medical expenses	7,747	–	7,747	0.006
Carriage outward	492,800	–	492,800	0.399
Fooding and lodging	386,976	–	386,976	0.313
Staff welfare expenses	176,399	–	176,399	0.143
Conference and training exp.	518,794	–	518,794	0.420
LC expenses	642,247	–	642,247	0.520
Electricity and gas charges	267,691	–	267,691	0.217
Loss on sale of assets	63,771	–	63,771	0.052
Royalty	1,066,352	–	1,066,352	0.864
Bad debt provision	(1,929,209)	–	(1,929,209)	(1.563)
Depreciation	1,441,045	–	1,441,045	1.167
Preliminary expenses	–	57,710	57,710	0.048
	27,095,935	107,710	27,203,645	22.035

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

15. Selling and distribution expenses

	2003			2002 Taka	2003 Rs. million	2002 Rs. million
	Trading from 1 Oct 2002 to 17 April 2003 Taka	Manufacturing from 27 Oct 2002 to 30 Sep 2003 Taka	Total Taka			
Business promotion expenses	28,884,930	16,176,838	45,061,768	39,457,969	36.500	31.961
Advertisement	10,381,112	23,005,229	33,386,341	23,024,918	27.043	18.650
Market research expenses	956,323	1,638,608	2,594,931	1,334,595	2.102	1.081
Leakage and damages	3,707,973	1,179,700	4,887,673	3,300,000	3.959	2.673
	<u>43,930,338</u>	<u>42,000,375</u>	<u>85,930,713</u>	<u>67,117,482</u>	<u>69.604</u>	<u>54.365</u>

15a. Consolidated selling and distribution expenses

	2003			2003 Total Rs. million
	MBL Taka	MBL Ind. Ltd. Taka	Total Taka	
Business promotion expenses	45,061,768	1,000,000	46,061,768	37.310
Advertisement	33,386,342	–	33,386,342	27.043
Market research expenses	2,594,932	–	2,594,932	2.102
Leakage and damages	4,887,673	–	4,887,673	3.959
	<u>85,930,715</u>	<u>1,000,000</u>	<u>86,930,715</u>	<u>70.414</u>

16. Number of employees

The number of employees engaged for the whole period or part thereof who received a total salary of Tk 36,000 (Rs. 0.029 million) and above was 23.

17. Tax holiday reserve

This reserve has been made as per section 46A (c) of Income Tax Ordinance 1984.

18. Import of capital machinery and raw materials

During the year import of raw material was worth US\$ 977,631.20 (Tk 57,244,872)(Rs. 46.368 million) and capital machinery US\$ 61,032.55 (Tk 3,573,750)(Rs.2.895 million).

19. General

Previous year's figures have been rearranged wherever considered necessary.

MBL INDUSTRIES LIMITED

Board of Directors

Harsh Mariwala, Chairman

Milind Sarwate

Shyam Sutaria

Samir Shrivastav, Director (Until April 20, 2004)

Praveen Dalal, Director (Appointed w.e.f. May 15, 2004)

Registered Office

272, Tejgaon Industrial Area,

Dhaka – 1208, Bangladesh

Auditors

Rahman Rahman Huq

Chartered Accountants

Internal Auditors

Farhad Hussain & Co.

Bankers

Standard Chartered Bank

Legal Advisors

Lee, Khan & Partners

5/8, City Heart, 67 Naya Paltan,

Dhaka-1000, Bangladesh

Distributors

Kallol Traders Limited

199, Tejgaon I/A,

Dhaka-1208, Bangladesh.

DIRECTORS' REPORT

To,

The Members

The Board of Directors is pleased to present the first Annual Report together with audited accounts of your Company for the period ended September 30, 2003.

FINANCIAL RESULTS

MBL Industries Limited has successfully completed its first year of operations. The Company was incorporated on August 4, 2003 and commenced operations soon after. During almost two months of commercial operations your Company has reported a turnover of Taka 20.5 million and a profit after tax of Taka 1.5 million.

	(Taka Million)	(Rs. Million)
	2003	2003
Sales and Other Income	20.5	16.6
Profit before Tax & Exceptional item	2.4	1.9
Exceptional items	—	—
Profit before tax	<u>2.4</u>	<u>1.9</u>
Provision for taxation	<u>(0.9)</u>	<u>(0.7)</u>
Profit after Tax	1.5	1.2

DIVIDEND

No dividend is being proposed for this year.

AUDITORS

Messers Rahman Rahman Huq, Chartered Accountants, retire and being eligible offer themselves for re-appointment as Auditors of the Company.

ACKNOWLEDGEMENT

The Board acknowledges the continued support and assistance received from the Government of Bangladesh, Bankers, Vendors, Distributors and other business associates and looks forward to continued support of all these partners in progress.

For and on behalf of Board of Directors

Place: Dhaka

Date: January 5, 2004

SAMIR SRIVASTAV

Director

SHYAM SUTARIA

Director

AUDITORS' REPORT

To

The Shareholders of MBL Industries Limited

We have audited the accompanying balance sheet of MBL Industries Limited as of September 30, 2003 and the related profit and loss account, cash flow statement and the statement of changes in equity for the period then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of September 30, 2003 and of the results of its operations and cash flow for the period then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

Rahman Rahman Huq

Place : Dhaka

Date : January 5, 2004

Auditor

BALANCE SHEET

	Notes	As at September 30, 2003	
		Taka	Rs. million
SOURCES OF FUNDS			
Shareholders equity			
Share capital	4	1,000,000	0.810
Accumulated profit		1,450,048	1.175
Total		2,450,048	1.985
APPLICATION OF FUNDS			
Current assets			
Trade debtors		6,524,522	5.285
Cash and bank balances	5	15,214,613	12.324
Total current assets		21,739,135	17.609
Less : Current liabilities and provisions			
Liability for expenses	6	18,028,924	14.603
Provision for income tax		950,000	0.770
Other liabilities	7	310,163	0.251
Total current liabilities		19,289,087	15.624
Net current assets		2,450,048	1.985

The accompanying notes 1 to 7 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq

Auditor

For and on behalf of the Board of Directors

Samir Srivastav

Director

Shyam Sutaria

Director

Place: Dhaka

Date: January 5,2004

Place : Dhaka

Date : January 5,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

PROFIT AND LOSS ACCOUNT

for the period ended
September 30, 2003

	Taka	Rs. million
Turnover	20,486,682	16.594
Purchase	(16,978,924)	(13.753)
Gross profit	3,507,758	2.841
General and administration expenses		
Audit fees	(50,000)	(0.040)
Preliminary expenses	(57,710)	(0.046)
	3,400,048	2.755
Selling and distribution expenses		
Business promotion expenses	(1,000,000)	(0.810)
Net profit before taxation	2,400,048	1.945
Provision for taxation	(950,000)	(0.770)
Net Profit carried forward to the balance sheet	1,450,048	1.175

The accompanying notes 1 to 7 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq

Auditor

For and on behalf of the Board of Directors

Samir Srivastav

Director

Shyam Sutaria

Director

Place: Dhaka

Date: January 5,2004

Place : Dhaka

Date : January 5,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

CASH FLOW STATEMENT

		for the period ended September 30, 2003	
		Taka	Rs. million
A) Cash flows from operating activities			
Net profit/(loss) for the period		1,450,048	1.175
Changes in working capital :			
Current liabilities increase / (decrease)		19,289,087	15.624
Current assets (increase) / decrease		(6,524,522)	(5.285)
Cash generated from operations		<u>14,214,613</u>	<u>10.339</u>
Net cash generated from operating activities	A	<u>14,214,613</u>	<u>11.514</u>
B) Cash flow from investing activities			
Share Capital		1,000,000	0.810
Net cash generated from investing activities	B	<u>1,000,000</u>	<u>0.810</u>
C) Net increase in cash and cash equivalent	(A+B)	15,214,613	12.324
D) Opening cash and cash equivalents		–	–
E) Closing cash and cash equivalent	(C + D)	15,214,613	12.324

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the period ended September 30, 2003

In Taka	Share capital	Unappropriated profit	Total
Net profit after tax for the year 2002	-	-	-
	-	-	-
Net profit after tax for the year 2003	1,000,000	1,450,048	2,450,048
	1,000,000	1,450,048	2,450,048

In Rs. million	Share capital	Unappropriated profit	Total
Net profit after tax for the year 2002	-	-	-
	-	-	-
Net profit after tax for the year 2003	0.810	1.175	1.985
	0.810	1.175	1.985

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2003

1. Company profile

MBL Industries Limited is a private limited company incorporated on August 4, 2003 in Bangladesh under the Companies Act 1994. The present authorised and paid up capital is Tk 1,000,000 divided into 100,000 ordinary shares of Taka 10 each. The company is a wholly owned subsidiary of Marico Bangladesh Limited.

The company started commercial operation from August 4, 2003.

2. Nature of business

The principal activity of the company is marketing and selling coconut oil.

3. Principal accounting policies

3.1 Basis of accounting

These accounts have been prepared in accordance with Bangladesh Accounting Standards(BAS).

3.2 Revenue recognition

Sales are recognized at the time of delivery of goods to the distributor and are exclusive of VAT.

3.3 Taxation

Provision for income tax is made on the basis of company's computation of fiscal profit until the assessment has been finalised by tax authorities. Adjustment, if any, arising out of the assessment would be made in the year the assessment is completed.

3.4 Reporting currency and level of precision

The figures in the financial statements are denominated in Bangladesh taka, which have been rounded off to the nearest integer.

3.5 Reporting period

Financial statements of the company cover the period from August 4, 2003 to September 30, 2003.

4. Share capital

Authorised:

100,000 Ordinary shares of Tk 10 each.

Paid up:

100,000 Ordinary shares of Tk 10 each fully paid up in cash.

At September 30, 2003, share holding position of the company was as follows:

		As on September 30, 2003	
		Taka	Rs. Million
	No. of shares		
Marico Bangladesh Limited (MBL)	99,996	999,960	0.810
Held by Directors as nominees of MBL	4	40	0
		<u>1,000,000</u>	<u>0.810</u>
5. Cash and bank balances			
Cash on hand		33,790	0.027
Cash at bank: Standard Chartered Bank		15,180,823	13.397
		<u>15,214,613</u>	<u>12.324</u>

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2003**

As on September 30, 2003

6. Liability for expenses

	Taka	Rs. Million
Payable to creditors	16,978,924	13.753
Business Promotion expenses	1,000,000	0.810
Audit fees	50,000	0.040
	<u>18,028,924</u>	<u>14.603</u>

7. Other liabilities

Tax deducted at source from suppliers bill	1,500	0.001
VAT payable	308,663	0.250
	<u>310,163</u>	<u>0.251</u>

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

KAYA SKIN CARE LIMITED

Board of Directors	Harsh Mariwala, Chairman Kishore Mariwala Rakesh Pandey, Chief Executive Officer
Registered Office	Rang Sharda, K. C. Marg, Bandra Reclamation, Bandra (W), Mumbai – 400 050
Auditors	RSM & Co., Chartered Accountants
Internal Auditors	Aneja Associates, Chartered Accountants
Bankers	Citibank N.A.
Website	www.kayaclinic.com

DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the First Annual Report together with audited accounts of your Company for the period ended March 31, 2004 ('the period under review', 'the period' or 'FY04').

FINANCIAL RESULTS - AN OVERVIEW

Your Company was incorporated on March 27, 2003 and it commenced commercial operations on April 8, 2003. During the period under review (i.e., March 27, 2003 to March 31, 2004), your Company reported a turnover of Rs. 45.2 million and an operating loss of Rs. 48.1 million, as it invested in the business of Kaya Skin Clinics.

	Rs. million
Sales and Services	45.2
Loss before Tax	48.1
Less: Provision for Current Tax for the current period	–
Loss after Current Tax for the current period	48.1
Less: Provision for Deferred Tax	–
Loss after Tax	48.1
Loss carried forward	48.1

DISTRIBUTION TO SHAREHOLDERS

No dividend is being proposed for this period.

REVIEW OF OPERATIONS

Through its Kaya Skin Clinics, your Company focuses on providing highly scientific US FDA approved cosmetic dermatological procedures that enhance the skin health and also consequently the look & feel of the skin in a serene Zen- like ambience, while maintaining international standards of Hygiene and Service. The skin treatments offered at every Clinic are a blend of clinical and aesthetic care. Every clinic is supported by in-clinic dermatologists, who first assess the client's skin for undertaking skin treatment and then recommend a customised skin care regime.

Various services rendered by Kaya during the year can be categorized as under:

- 1) Permanent Hair reduction
- 2) Other value adding services: these include anti-ageing treatments like Photo Facial™, Non-surgical face-lift, BOTOX® & Fillers
- 3) Other Enhancement Services: these include Skin Polishing & Brightening, Kaya Glow, Glycolic Peels, Acne Scar/Pigmentation Reduction, Kaya Face & Eye Rejuvenator

Eleven Kaya Skin Clinics were opened during the period under review – 7 in Mumbai and 4 in Delhi.

Your Company's Client base has grown to over 10,000 customers and is growing steadily. Service Quality Customer feedback Scores in all clinics are at Excellent Level - Score of 4.4 on a scale of 1 to 5.

RESEARCH & DEVELOPMENT (R & D)

There has been no specific expenditure made on R & D as this was the first year of operations. All the services were launched after due trials internally at Kaya's Training Centre. A few new services are under development.

PUBLIC DEPOSITS

During the period, your Company did not accept any Public Deposits.

FOREIGN EXCHANGE EARNING AND OUTGO

There was no foreign exchange earning during the period. Foreign exchange outgo during the period is as mentioned in schedule "J" of Notes to the Accounts.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act) amended as per the Companies (Amendment) Act, 2000, the Directors confirm that:

In preparation of the Accounts of your Company, the Accounting Standards laid down by the Institute of Chartered Accountants of India from time to time have been followed.

Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgement and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at March 31, 2004 and the loss of your Company for the period ended March 31, 2004.

Proper and sufficient care has been taken for maintenance of appropriate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities.

The Accounts have been prepared on a going concern basis.

The observations of the Auditors in their report to the Members have been adequately dealt with in the relevant notes to the accounts. Hence no additional explanation is considered necessary.

AUDITORS

RSM & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility for reappointment.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from distributors, bankers and all other business associates and looks forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place : Mumbai

Date : April 19, 2004

Harsh Mariwala

Chairman

AUDITORS' REPORT**TO THE MEMBERS OF KAYA SKIN CARE LIMITED**

1. We have audited the attached Balance Sheet of **Kaya Skin Care Limited** ('the Company') as at March 31, 2004, and also the Profit and Loss Account of the Company for the period ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books ;
 - c. the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2004 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Act;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004; and
 - ii. in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date.

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner (F-36647)

Place : Mumbai

Date : April 19, 2004

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management during the period and no discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of fixed assets during the period, and accordingly, going concern is not affected.
- (ii) (a) As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management.
- (b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the Company has not taken or granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and with regard to the sale of finished products.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed thereunder are applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for any of the activities of the Company.
- (ix) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Income tax, Sales tax, Wealth Tax, Custom duty, Cess and any other statutory dues with the appropriate authorities and there were no such outstanding dues as at March 31, 2004 for a period exceeding six months from the date they became payable. As explained to us, the Investors Education and Protection Fund, Employees' State Insurance and Excise duty are not applicable to the Company.
- (x) Since the Company has been registered for a period of less than five years, clause (x) of the Order is not applicable.
- (xi) On the basis of our examination and according to the information and explanations given to us, the Company has not taken any loans from financial institutions, banks or debenture holders and hence the question of default in repayment of dues does not arise.
- (xii) As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, clause (xii) of the Order is not applicable.

ANNEXURE TO AUDITORS' REPORT

- (xiii) Clause (xiii) relating to applicability of provisions for special statute applicable to Chit Fund, or relating to nidhi, mutual benefit funds/societies, is not applicable to the Company, in view of the nature of its business/activities during the year.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any term loans during the period.
- (xvii) In our opinion, and on the basis of our examination and according to the information and explanations given to us, the Company has not used the funds borrowed on short term basis for long term investment and vice versa.
- (xviii) The Company has not made any preferential allotment of shares or issued debentures or made any public issue during the period, and, accordingly, clauses (xviii), (xix) and (xx) of the Order are not applicable.
- (xix) To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the period.

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner (F-36647)

Place : Mumbai

Date : April 19, 2004

KAYA SKIN CARE LIMITED

BALANCE SHEET

	SCHEDULE	As at March 31, 2004 Rs. million
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Share capital	A	88.000
Advance Against equity		2.012
		90.012
Unsecured loan		109.068
		199.080
APPLICATION OF FUNDS		
FIXED ASSETS		
Gross block	B	133.385
Less : Depreciation and amortisation		9.457
Net block		123.928
Capital work-in-progress		20.836
		144.764
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	C	4.084
Cash and bank balances	D	0.306
Loans and advances	E	23.945
		28.335
Less: CURRENT LIABILITIES AND PROVISIONS		
Current liabilities	F	22.100
		22.100
NET CURRENT ASSETS/ LIABILITIES		
Debit balance in Profit & Loss Account		48.081
		199.080
Notes	K	

As per our attached report of even date

For RSM & Co.

Chartered Accountants

VIJAY N. BHATT

Partner (F-36647)

Place : Mumbai

Dated : April 19, 2004

For and on behalf of the Board of Directors

HARSH MARIWALA - Chairman

RAKESH PANDEY - Director

Place : Mumbai

Dated : April 19, 2004

KAYA SKIN CARE LIMITED

PROFIT AND LOSS ACCOUNT

For the period Mar 27, 2003 to March 31,

SCHEDULE	2004 Rs. million
INCOME:	
Service Income	41.637
Sale of traded products	3.589
Other income	0.220
	<u>45.446</u>
EXPENDITURE:	
Cost of materials	G 8.804
Operating and other expenses	H 71.826
Finance charges	I 3.440
Depreciation and amortisation	B 9.457
	<u>93.527</u>
LOSS BEFORE TAXATION	48.081
Provision for taxation	
- Current	-
- Deferred	-
LOSS AFTER TAXATION	48.081
LOSS CARRIED TO THE BALANCE SHEET	48.081
Loss per share basic & diluted face value of share Rs. 10/-	649.80

Notes K

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Dated : April 19, 2004

For and on behalf of the Board of Directors

HARSH MARIWALA - Chairman

RAKESH PANDEY - Director

Place : Mumbai
Dated : April 19, 2004

KAYA SKIN CARE LIMITED

SCHEDULES TO BALANCE SHEET

As at March 31,
2004
Rs. million

SCHEDULE 'A'

SHARE CAPITAL

AUTHORISED:

10,000,000 Equity shares of Rs. 10 each

100.000

100.000

ISSUED AND SUBSCRIBED :

8,800,000 Equity shares of Rs. 10 each fully paid

(Of the above, 7,600,000 shares are held by the holding Company, viz. Marico Industries Limited, including its nominees)

88.000

88.000

SCHEDULE 'B'

FIXED ASSETS

Rs. million

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at March 31, 2003	Additions	Deductions	As at March 31, 2004	As at March 31, 2003	For the period	Deductions/ Adjustments	As at March 31, 2004	As at March 31, 2004
Plant and machinery	-	110.742	-	110.742	-	8.431	-	8.431	102.311
Furniture and fittings	-	22.419	-	22.419	-	0.958	-	0.958	21.461
Intangible assets									
- Computer software	-	0.224	-	0.224	-	0.068	-	0.068	0.156
TOTAL	-	133.385	-	133.385	-	9.457	-	9.457	123.928
Capital work-in-progress (at cost) including advances on capital account									20.836
									<u>144.764</u>

As at March 31,
2004
Rs. million

SCHEDULE 'C'

INVENTORIES

(At cost, valued and certified by the management)

Finished products

4.084

4.084

SCHEDULES TO BALANCE SHEET

As at March 31,

2004

Rs. million

SCHEDULE 'D'

CASH AND BANK BALANCES

Cash on hand	0.256
Fixed deposits	0.050
	0.306
	0.306

SCHEDULE 'E'

LOANS AND ADVANCES

(Unsecured-considered good, unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received	6.488
Deposits	17.457
	23.945
	23.945

SCHEDULE 'F'

CURRENT LIABILITIES

Sundry creditors	14.871
Advances received from customers	1.042
Book overdraft	5.938
Other liabilities	0.249
	22.100
	22.100

SCHEDULES TO PROFIT AND LOSS ACCOUNT

For the period Mar 27, 2003 to March 31,

	2004 Rs. million
SCHEDULE 'G'	
COST OF MATERIALS	
Materials consumed	6.394
Purchase for resale	6.494
(Increase)/Decrease in stocks	
Opening stocks	
- Finished products	-
Less :	
Closing stocks	
- Finished products	4.084
	<u>8.804</u>
SCHEDULE 'H'	
OPERATING AND OTHER EXPENSES	
Employees' costs :	
Salaries, wages and bonus	15.409
Contribution to provident fund and other funds	0.164
Welfare expenses	1.486
	<u>17.059</u>
Payment to consultants	6.727
Travelling, conveyance and vehicle expenses	2.824
Electricity	1.890
Rent	11.148
Insurance	0.375
Repairs to :Machinery	0.183
Others	2.117
	<u>2.300</u>
Advertisement and sales promotion	18.934
Rates and taxes	0.555
Printing, stationery and communication expenses	2.249
Legal & Professional charges	3.699
Payment to Auditors	0.108
Security Charges	1.164
Miscellaneous expenses	2.794
	<u>71.826</u>
SCHEDULE 'I'	
FINANCE CHARGES	
Other interest	3.028
Bank and other financial charges	0.412
	<u>3.440</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'J'

A) DETAILS OF PRODUCTION, SALE, PURCHASES, OPENING STOCK AND CLOSING STOCK

Sr No.	Particulars	Unit	Period Ended	Opening Stock		Purchases		Sale		Consumption		Closing Stock	
				Quantity	Amount Rs.million	Quantity	Amount Rs.million	Quantity	Amount Rs.million	Quantity	Amount Rs.million	Quantity	Amount Rs.million
1	Skin Care Products		31.03.2004	-	-	160,941.000	12.887	2,683.000	3.589	86,500.000	6.394	71,758.000	4.084
2	Service Income		31.03.2004	-	-	-	-	-	41.637	-	-	-	-
	TOTAL		31.03.2004	-	-	160,941.000	12.887	2,683.000	45.226	86,500.000	6.394	71,758.000	4.084

Period ended March 31, 2004

B) MATERIALS CONSUMED

Skin Care Products

Quantity
Nos

Value
Rs. million

86,500.000

6.394

86,500.000

6.394

%

Value

Rs.

C) VALUE OF IMPORTED AND

INDIGENOUS MATERIALS CONSUMED

Imported

61.92%

3.959

Indigenous

38.08%

2.435

100.00%

6.394

D) VALUE OF IMPORTS ON C.I.F. BASIS

Capital goods

52.419

Finished Goods

5.614

58.033

E) EXPENDITURE IN FOREIGN CURRENCY

Travelling and other expenses

0.087

0.087

NOTES TO THE ACCOUNTS

SCHEDULE 'K'

NOTES:

1) The Company and nature of its operations:

Kaya Skin Care Limited (Previously Kaya Aesthetics Limited) ('Kaya' or 'the Company'), headquartered in Mumbai, India, carries on skin care business through Kaya Skin Clinics. The clinics offer skin care service using scientific, US FDA approved dermatological procedures. Kaya Skin Care Limited is a subsidiary of Marico Industries Limited. The current Kaya clinic set up includes 11 Kaya Skin Clinics operating across Delhi and Mumbai.

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on an accrual basis and are in conformity with mandatory accounting standards.

(b) Fixed assets

1) Tangible assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Interest on borrowing, to finance fixed assets during construction period is capitalised. Pre-operative expenses are also capitalised, where appropriate.

2) Intangible assets

Intangible assets are amortised over their estimated economic useful lives as estimated by the management, but not exceeding the period given hereunder:

Computer software	3 years
-------------------	---------

(c) Depreciation/Amortisation

Depreciation is provided on straight line basis at higher of the rates based on useful lives of the assets as estimated by the management or those stipulated in Schedule XIV to the Companies Act, 1956. The depreciation rates based on management estimates that are higher than the rates specified in Schedule XIV to the Companies Act, 1956 are as follows:

Computer hardware and related peripherals, etc.	- 33 1/3%
Technologically advanced machinery	- 10%

Assets individually costing Rs.5,000 or less are depreciated fully in the year of acquisition.

(d) Inventories

Finished products are valued at lower of cost and net realisable value.

NOTES TO THE ACCOUNTS

(e) Research and development

Capital expenditure on research and development is allocated to fixed assets. Revenue expenditure is charged off in the year in which it is incurred.

(f) Revenue recognition

- Income from services is recognized on rendering of the service.
- Sale of products is recognised on delivery of the products to the customers.

(g) Retirement benefits

The Company has provided provident fund scheme as retirement benefit for the employees. Provident fund contributions are made to Regional Provident Fund Office and charged to revenue every year.

(h) Foreign currency transactions

Foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account other than the exchange rate differences relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets. In case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expense over the life of the contract.

(i) Accounting for taxes on income

- (i) Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961.
- (ii) Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a reasonable certainty of realisation. Deferred tax assets on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a virtual certainty of realisation.

3) Contingent liabilities :

There are no contingent liabilities as at March 31, 2004.

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 8.043 million net of advances.

5) Miscellaneous income includes exchange rate gain of Rs. 0.086 million.

6) In terms of the Joint Venture agreement and approval from Foreign Investment Promotion Board (FIPB) dated December 4, 2003 the Company has allotted 1.200 million shares of Rs. 10/- each aggregating Rs. 12.000 million to the Joint Venture partner viz., M/s. Adil & Associates, LLC ('AA') on March 31, 2004. The balance amount of Rs. 2.012 million received from AA has been shown as advance against equity pending FIPB approval for further increase in equity.

7) In view of loss for the period, no provision is made for income tax.

NOTES TO THE ACCOUNTS

8) Earnings per share:

March 31, 2004

(Rs. million)

Profit after taxation	(48.081)
Equity shares outstanding as at the year end	8.800
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	0.074
Nominal value per equity share (Rs.)	10.000
Basic and diluted earnings per equity share (Rs.)	(649.80)

9) In view of the mandatory accounting standard AS 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, applicable to the Company, deferred tax is accounted as under:

March 31, 2004

(Rs. million)

Deferred tax liability arising on account of additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	5.807
Less : Set off of deferred tax asset on carried forward business tax losses and unabsorbed depreciation to the extent of deferred tax liability	5.807
Balance as on March 31, 2004	–

10) The financial statements are drawn for the period from March 27, 2003 (Date of Incorporation) to March 31, 2004, being the first reporting period after the incorporation of the Company. Also, consequently there are no previous year figures.

11) Information pursuant to Part IV of Schedule VI to the Companies Act, 1956 :

a) **Registration details:**

Registration No.	:	11-139763
State code	:	11
Balance Sheet Date	:	March 31, 2004

b) **Capital raised during the period:** (Amount in Rs. million)

Public Issue	Nil
Bonus Issue	Nil
Bonus Preference Shares	Nil
Rights Issue	Nil
Private placement	87.500
Subscription to the Memorandum	0.500

NOTES TO THE ACCOUNTS

c) **Position of mobilisation and deployment of funds** (Amount in Rs. million)

Total Liabilities	221.180
Total Assets	221.180

Sources of Funds

Application of Funds

Paid up Capital	88.000	Net Fixed Assets	144.764
Advance against equity	2.012	Investments	Nil
Reserves & Surplus	Nil	Net Current Assets	6.235
Secured Loans	Nil	Misc. Expenditure	Nil
Unsecured Loans	109.068	Debit Balance in Profit & Loss A/c	Nil
Deferred Tax Liability	Nil		
Accumulated losses	(48.081)		

d) **Performance of the Company** (Amount in Rs. million)

Turnover (Sales & Other Income)	45.446
Total Expenditure	93.527
Profit before Tax	(48.081)
Profit after Tax	(48.081)
Earnings per share (in Rs.)	(649.80)
Dividend rate (%)	Nil

e) **Generic names of the three principal products/services of the Company:**

Item Code No.	Product Description
(I.T.C. Code)	
N.A.	Skin care services

Signatures to Schedules A to K

For and on behalf of the Board of Directors

HARSH MARIWALA - Chairman

RAKESH PANDEY - Director

Place: Mumbai

Dated: April 19, 2004

SUNDARI LLC.

Board of Managers	Harsh Mariwala Abel Halpern Asif Adil (resigned w.e.f. June 17, 2004) Arnab Banerjee (nominee of Marico Industries Ltd.) (appointed w.e.f. June 14, 2004) Vinita Bali (nominee of Marico Industries Ltd.) (appointed w.e.f. June 14, 2004)
Management Team	Rahul Koul, Chief Operating Officer
Principal / Corporate Office	379, West Broadway, Suite 404, New York, NY 10012, USA
Independent Accountants	R. Rehani & Co. Certified Public Accountants, P.C. 225 West 34th Street Suite 1404A New York, NY 10122, USA
Bankers	JP Morgan Chase Citibank NA
Website	www.sundari.com

REPORT OF BOARD OF MANAGERS

To,

The Members

Your Board take pleasure in presenting the First Annual Report together with audited accounts of your Company for the period ended December 31, 2003.

FINANCIAL RESULTS

Sundari LLC., has completed its first year of operations. Your Company was incorporated in January, 2003 in the state of Delaware and commenced operations on February 27, 2003 as the corporate vehicle for the strategic alliance amongst Marico Industries Limited, Shantih LLC. and Adil & Associates LLC. During the ten months of commercial operations your Company has reported a turnover of USD 0.7 million and an operating loss of USD 0.8 million.

	(USD Million)	(Rs. Million)
	<u>2003</u>	<u>2003</u>
Sales	0.7	32.6
Gross Profit	0.4	18.6
Net Profit	(0.8)	(37.2)

REVIEW OF OPERATIONS

During the year, your Company focussed on adding new channels of distribution, new product development and cost control. Your Company has reduced its focus on the retail channel, since it requires high marketing support and has decided to focus on the Spa and the Internet channels. The strategy for Spas and Internet has started paying off. New distributors are being identified for international distribution. The focus on cost management has helped reduce costs in many areas. As the strategic pivots are being put in place, the business is likely to remain in the investment phase for quite some time.

MANAGEMENT

During the year under review, Ms. Christy Turlington, co-founder and Manager of the Company resigned from her office. Also, Ms. Ayla Hussain, Chief Executive Officer and Manager of the Company resigned in her capacities as office bearer and Board member of the Company. Your Board places on record its appreciation for the contribution made by Ms. Turlington and Ms. Hussain during their tenure.

Mr. Rahul Koul has been nominated as the Chief Operating Officer of your Company by Marico Industries Limited in terms of the Amended & Restated Operating Agreement amongst Marico Industries Limited, Shantih LLC., Sundari LLC. & Adil & Associates LLC.

DIVIDEND

Considering the financial position of the Company and in order to conserve resources for growth, no dividend is being proposed for this year.

INDEPENDENT ACCOUNTANTS

Messers R. Rehani & Co., Certified Public Accountants, have been appointed as Independent Accountants of the Company.

ACKNOWLEDGEMENT

The Board of Managers acknowledges the support and assistance received from Bankers, Vendors, Distributors and other business associates and looks forward to continued support of all these partners in progress.

For and on behalf of Board of Managers

Place: Mumbai

Date : April 20, 2004

HARSH MARIWALA

INDEPENDENT ACCOUNTANTS' REPORT

The Members

Sundari LLC.

We have reviewed the accompanying balance sheet of Sundari LLC. as at December 31, 2003 and the related statements of members' capital, operations and cash flows for the period February 27, 2003 (inception) to December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Sundari LLC. as at December 31, 2003 and results of its operations and its cash flows for the period then ended in conformity with principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. Rehani & Co.

Certified Public Accountants, P.C.

New York, New York

February 12, 2004

BALANCE SHEET

ASSETS

As At December 31, 2003

Amount (USD) Amount (Rs. Million)

Current assets

Cash	119,273	5.552
Accounts receivable		
less: allowance for doubtful accounts \$15,500	85,614	3.985
Inventories (notes 2 & 3)	569,729	26.521
Other current assets and prepaid expenses	17,333	0.807
Total current assets	<u>791,949</u>	<u>36.865</u>

Property and equipment : (notes 2 & 4)

At cost less accumulated depreciation of \$ 3,192	<u>32,673</u>	<u>1.521</u>
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Other assets

Trademark, net of amortisation - note 2	1,560,432	72.638
Deferred costs - note 2	122,420	5.699
Security deposits	10,850	0.505
Total current assets	<u>1,693,702</u>	<u>78.842</u>

TOTAL ASSETS**2,518,324** **117.228**

LIABILITIES AND MEMBERS' EQUITY

Current liabilities

Accounts payable and accrued expenses	189,438	8.818
Customers' credit balances	8,830	0.411
Due to members	1,466	0.068
Total current liabilities	<u>199,734</u>	<u>9.297</u>

Commitments (note 7)**Long -term liabilities**

Loans payable - members - note 5	1,000,000	46.550
Notes payable - others - note 6	358,744	16.700
Total long-term liabilities	<u>1,358,744</u>	<u>63.250</u>

Total members' capital	959,846	44.681
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TOTAL LIABILITIES AND MEMBERS' EQUITY**2,518,324** **117.228**

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

STATEMENT OF MEMBERS' CAPITAL

As at December 31, 2003

Amount in USD

	Marico Industries Limited	Shantih LLC.	Adil & Associates LLC.	Total
Balance at February 27, 2003	–	–	–	–
Capital contributions	1,150,000	538,492	136,905	1,825,397
Net loss	<u>(545,297)</u>	<u>(255,338)</u>	<u>(64,916)</u>	<u>(865,551)</u>
Balance at December 31, 2003	<u>604,703</u>	<u>283,154</u>	<u>71,989</u>	<u>959,846</u>

Amount in Rs. Million

	Marico Industries Limited	Shantih LLC.	Adil & Associates LLC.	Total
Balance at February 27, 2003	–	–	–	–
Capital contributions	53.532	25.067	6.373	84.972
Net loss	<u>(25.383)</u>	<u>(11.886)</u>	<u>(3.022)</u>	<u>(40.291)</u>
Balance at December 31, 2003	<u>28.149</u>	<u>13.181</u>	<u>3.351</u>	<u>44.681</u>

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

STATEMENT OF OPERATIONS

For The Period February 27, 2003
(Inception) To December 31, 2003

	Amount (USD)	Amount (Rs. Million)
Net Sales	<u>697,858</u>	<u>32.486</u>
Cost of sales	<u>300,445</u>	<u>13.986</u>
Gross profit	<u>397,413</u>	<u>18.500</u>
Operating Expenses :		
Selling, general and administrative	1,114,478	51.879
Depreciation	3,524	0.164
Amortisation	117,594	5.474
	<u>1,235,596</u>	<u>57.517</u>
Net operating loss	(838,183)	(39.017)
Other income and (expenses):		
Interest income	10,266	0.478
Interest expense	(26,826)	(1.249)
Assets written off	(10,808)	(0.503)
	<u>(27,368)</u>	<u>(1.274)</u>
Net loss	<u>(865,551)</u>	<u>(40.291)</u>

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

STATEMENT OF CASH FLOWS

For The Period February 27, 2003
(Inception) To December 31, 2003

	Amount (USD)	Amount (Rs. Million)
Increase / (decrease) in cash and cash equivalent		
Cash flows from operating activities		
Net loss	(865,551)	(40.291)
Adjustments to reconcile net loss to cash provided by operating activities		
Depreciation and amortisation	121,118	5.638
Assets written off	10,808	0.503
Changes in assets and liabilities		
Accounts receivable	(77,529)	(3.609)
Inventory	(247,854)	(11.538)
Other current assets	(17,333)	(0.807)
Cash at acquisition	7,244	0.337
Account payable and accrued expenses	(606,018)	(28.210)
Customer's credit balances	8,830	0.411
Net cash used in operating activities	<u>(1,666,285)</u>	<u>(77.566)</u>
Cash flows applied to investing activities		
Acquisition of property and equipment	(2,653)	(0.123)
Security deposits	(3,255)	(0.152)
Deferred costs	(146,905)	(6.838)
Net cash applied to investing activities	<u>(152,813)</u>	<u>(7.113)</u>
Cash flows provided by (applied to) financing activities		
Members' capital contribution	1,286,905	59.905
Loans payable to members	1,000,000	46.550
Decrease in short-term loans	(350,000)	(16.292)
Due to members	1,466	0.068
Net cash provided by financing activities	<u>1,938,371</u>	<u>90.231</u>
Increase in cash	119,273	5.552
Cash - beginning of year	<u>—</u>	<u>—</u>
Cash - end of year	<u>119,273</u>	<u>5.552</u>
Supplementary disclosures		
Interest paid	487	0.023
Taxes paid	—	—

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

NOTES TO FINANCIAL STATEMENTS - DECEMBER,31 2003

Note 1 - Operations

In January 2003 Sundari LLC. (the company) was established to acquire the assets and liabilities of Shantih LLC., which was founded in 1998. The company is a Limited Liability Company registered in the state of Delaware. The company markets and distributes skin care products under the brand name of "Sundari" to be sold to prestigious outlets.

Note 2 - Summary of significant accounting policies

a) Inventories:

Inventories are stated at lower of average cost or market.

b) Property and equipment:

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided over the useful lives of assets using the straight-line method.

c) Cash and cash equivalents:

For the purpose of statement of cash flows, the company considers investments in highly liquid debt instruments with maturity of three months or less to be cash-equivalents.

d) Concentration of risk:

The company maintains its cash in bank deposits at high credit quality institutions. At times during the year the company maintained certain bank accounts in excess of the federally insured limits.

e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from the estimates.

f) Income Taxes:

The company is limited liability taxed as partnership in which all elements of income and deduction are included in tax returns of members of the company. The company is subject to New York unincorporated business tax.

g) Deferred costs:

Deferred costs are being amortised over 60 months, and net of amortization comprise

	<u>Amount (USD)</u>	<u>Amount (Rs. Million)</u>
Deferred Compensation	114,088	5.311
Deferred organisation costs	8,332	0.388
	<u>122,420</u>	<u>5.699</u>

h) Intangibles:

Trademark - represents amount paid for purchase of the trademark "Sundari" and has been determined by reducing the acquisition price by the difference of net assets as reduced by the net liabilities taken over. Trademark is being written off over a period of 15 years.

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

NOTES TO FINANCIAL STATEMENTS - DECEMBER,31 2003

Note 3 - Inventories

Inventories at December 31,2003 consist of:

	<u>Amount (USD)</u>	<u>Amount (Rs. Million)</u>
Packaging	279,889	13.029
Finished Goods	289,840	13.492
	<u>569,729</u>	<u>26.521</u>

Note 4 - Property and equipment

Major classifications of property and equipment and their respective depreciable life are as follows:

	<u>Estimated useful lives-Years</u>	<u>Amount (USD)</u>	<u>Amount (Rs. Million)</u>
Equipment	5	21,031	0.979
Furniture & fixtures	7	8,520	0.397
Leasehold improvements	5	6,646	0.309
		36,197	1.685
Less: accumulated depreciation and amortisation		3,524	0.164
		<u>32,673</u>	<u>1.521</u>

Note 5 - Loans payables - members

Loans payable to Marico Industries Limited, a member, bears interest at Libor plus 1.5%. During the period ended December 31,2003, the company provided \$14,464 (Rs. 0.673 million) interest on the loan. The loan is unsecured.

Note 6 - Notes payable - others

Notes payable to a founder member of Shantih LLC. , are due February 26, 2006 and bear interest at 3.5% to 4%. During the period ended 2003, the company provided \$11,875 (Rs. 0.553 million) interest on these notes. The notes are unsecured.

Note 7 - Commitments

The company leases office space and showroom under an operating lease expiring in September 2005. As at December 31, 2003 the future minimum and annual lease payments were as follows:

<u>December 31,</u>	<u>Amount (USD)</u>	<u>Amount (Rs. Million)</u>
2004	74,312	3.459
2005	5,978	0.279
	<u>80,290</u>	<u>3.738</u>

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

SCHEDULES OF SUPPLEMENTARY INFORMATION

For The Period February 27, 2003
(Inception) To December 31, 2003

	Amount (USD)	Amount (Rs. Million)
Cost of Sales		
Purchases	583,234	27.150
Manufacturing and Processing	231,164	10.761
Other Costs	55,776	2.596
	<hr/>	<hr/>
	870,174	40.507
Less Inventory - end	569,729	26.521
	<hr/>	<hr/>
Total Cost of sales	300,445	13.986
Selling, general and administrative expenses		
Payroll and benefits	395,344	18.402
Rent	62,634	2.916
Utilities	4,888	0.228
Telephone	17,620	0.820
Insurance	16,548	0.770
Bank and Credit Card fees	11,158	0.519
Office supplies and expenses	21,305	0.992
Computer supplies and expenses	3,499	0.163
Relocation expenses	5,000	0.233
Repairs and maintenance	7,289	0.339
Professional fees	212,307	9.883
Business taxes	3,959	0.184
Postage and delivery	17,587	0.819
Freelance sales force	41,903	1.951
Marketing & promotion	52,041	2.423
Public relations	47,652	2.218
Product development	105,797	4.925
Website - internet	13,519	0.629
Travel and entertainment	71,128	3.311
Auto expenses	3,300	0.154
	<hr/>	<hr/>
Total Selling, general and administrative expenses	1,114,478	51.879

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.