

MBL INDUSTRIES LIMITED

| | |
|---------------------------|--|
| Board of Directors | Mr. Harsh Mariwala, Chairman Mr. Milind Sarwate Mr. Shyam Sutaria Mr. Praveen Dalal (Appointed w.e.f. April 26, 2004) Mr. Samir Srivastav (Until April 26, 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. |

MBL INDUSTRIES LIMITED

DIRECTORS' REPORT

To,

The Members

The Board of Directors is pleased to present the second Annual Report together with audited accounts of your Company for the period ended September 30, 2004.

FINANCIAL RESULTS

| Particulars | (Taka Crore) | | (Rs. Crore)* | |
|--------------------------------------|--------------|-------------|--------------|-------------|
| | 2004 | 2003# | 2004 | 2003# |
| Sales and Other Income | 15.02 | 2.05 | 10.98 | 1.66 |
| Profit before Tax & Exceptional item | 1.95 | 0.24 | 1.42 | 0.19 |
| Exceptional items | — | — | — | — |
| Profit before tax | 1.95 | 0.24 | 1.42 | 0.19 |
| Provision for taxation | (0.76) | (0.09) | (0.55) | (0.07) |
| Profit after Tax | 1.19 | 0.15 | 0.87 | 0.12 |
| Add : Surplus brought forward | 0.15 | — | 0.12 | — |
| Surplus carried forward | 1.34 | 0.15 | 0.99 | 0.12 |

* The exchange rate used is Rs. 0.73 / Taka (Rs. 0.81/Taka)

Your company was incorporated on August 4, 2003 and commenced operations soon after. As a result, the financial performance for 2003 pertains to about 2 months operations.

SALES TURNOVER & PROFITABILITY

During the year ended September 30, 2004 (FY04), your Company carried on with the business of selling branded coconut oil and hair oils under the brand name of Parachute. Your Company recorded a turnover of Taka 15.02 Crore on which it earned a profit before tax of Taka 1.95 Crore and a profit after tax of Taka 1.19 Crore.

DIVIDEND

No dividend is being proposed for this year.

DIRECTORS

During the year under review, Mr. Samir Srivastav resigned as Director from the Board of Directors of your Company and Mr. Praveen Dalal was appointed as Director on the Board. Mr. Praveen Dalal, 33, has done his Engineering from CRSCE, Haryana and is a management graduate from the Indian Institute of Management, Lucknow. He has around 10 years of experience in Sales and related functions at various levels in the Marico Group. Mr. Praveen Dalal holds office as Director till the expiry of the ensuing Annual General Meeting (AGM). The resolution seeking members approval for his appointment forms part of the Notice convening the AGM. Your Board places on record its appreciation for the contribution made by Mr. Samir Srivastav during his tenure.

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 the Board of Directors

Place: Dhaka
Date: December, 29 2004

PRAVEEN DALAL
Director

SHYAM SUTARIA
Director

MBL INDUSTRIES LIMITED

AUDITORS' REPORT

To

The Shareholders of MBL Industries Limited

We have audited the accompanying balance sheet of MBL Industries Limited as of September 30, 2004 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, 2004 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 : December 29, 2004

Auditor

MBL INDUSTRIES LIMITED

BALANCE SHEET

| | | As at September 30, | | | |
|--|-------|---------------------|------------------|---------------------|--------------------|
| | Notes | 2004 Taka | 2003 Taka | 2,004 Rs. Crores | 2003 Rs. Crores |
| SOURCES OF FUNDS | | | | | |
| Shareholders equity: | | | | | |
| Share capital | 4 | 1,000,000 | 1,000,000 | 0.07 | 0.08 |
| Accumulated profit | | 13,352,635 | 1,450,048 | 0.98 | 0.12 |
| Total | | 14,352,635 | 2,450,048 | 1.05 | 0.20 |
| APPLICATION OF FUNDS | | | | | |
| Property, plant and equipment | | | | | |
| Cost | 5 | 118,000 | – | 0.01 | – |
| Less: Accumulated depreciation | | 3,277 | – | 0.00 | – |
| | | 114,723 | – | 0.01 | – |
| Current assets, loans and advances: | | | | | |
| Trade debtors | 6 | 17,288,063 | 6,524,522 | 1.26 | 0.53 |
| Advances and deposits | 7 | 230,094 | – | 0.02 | – |
| Cash and cash equivalents | 8 | 26,989,033 | 15,214,613 | 1.97 | 1.23 |
| Income tax refundable/(payable) | 9 | 1,872,116 | (950,000) | 0.14 | (0.08) |
| Accrued interest | 10 | 670,979 | – | 0.05 | – |
| Total current assets | | 47,050,285 | 20,789,135 | 3.44 | 1.68 |
| Current liabilities and provisions: | | | | | |
| Liability for expenses | 11 | 10,321,206 | 1,050,000 | 0.75 | 0.08 |
| Other liabilities | 12 | 13,565 | 310,163 | 0.01 | 0.02 |
| Trade creditors | 13 | 22,477,602 | 16,978,924 | 1.64 | 1.38 |
| Total current liabilities | | 32,812,373 | 18,339,087 | 2.40 | 1.48 |
| Net current assets | | 14,237,912 | 2,450,048 | 1.04 | 0.20 |
| Total | | 14,352,635 | 2,450,048 | 1.05 | 0.20 |

The accompanying notes 1 to 18 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq

For and on behalf of the Board of Directors

Auditor

PRAVEEN DALAL

SHYAM SUTARIA

Director

Director

Place: Dhaka

Place : Dhaka

Date: December 29,2004

Date : December 29,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

MBL INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT

| | Notes | For the year ended September 30, | | | |
|--|-------|----------------------------------|------------------|--------------------|--------------------|
| | | 2004 Taka | 2003 Taka | 2004 Rs. Crores | 2003 Rs. Crores |
| Turnover | | 149,115,364 | 20,486,682 | 10.90 | 1.66 |
| Cost of sales | 14 | (110,627,337) | (16,978,924) | (8.09) | (1.38) |
| Gross profit | | 38,488,027 | 3,507,758 | 2.81 | 0.28 |
| General and administration expenses | 15 | (2,661,997) | (107,710) | (0.19) | (0.01) |
| Selling and distribution expenses | 16 | (17,384,160) | (1,000,000) | (1.27) | (0.08) |
| Net profit for the year | | 18,441,870 | 2,400,048 | 1.35 | 0.19 |
| Other income | | 1,038,619 | – | 0.08 | – |
| Net profit before taxation | | 19,480,489 | 2,400,048 | 1.42 | 0.19 |
| Provision for taxation | | (7,577,902) | (950,000) | (0.55) | (0.07) |
| Net profit after taxation | | 11,902,587 | 1,450,048 | 0.87 | 0.12 |
| Profit brought forward | | 1,450,048 | – | 0.11 | – |
| Net profit carried forward to the balance sheet | | 13,352,635 | 1,450,048 | 0.98 | 0.12 |

The accompanying notes 1 to 18 form an integral part of these financial statements

As per our separate report of even date

Rahman Rahman Huq

For and on behalf of the Board of Directors

Auditor

PRAVEEN DALAL

SHYAM SUTARIA

Director

Director

Place: Dhaka

Place : Dhaka

Date: December 29,2004

Date : December 29,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

MBL INDUSTRIES LIMITED

CASH FLOW STATEMENT

| | | For the year ended September 30, | | | | |
|-----------|---|----------------------------------|--------------------------|--------------------------|--------------------|--------------------|
| | | 2004 | 2003 | 2004 | 2003 | |
| | | Taka | Taka | Rs. Crores | Rs. Crores | |
| A) | Cash flow from operating activities | | | | | |
| | Net profit/(loss) for the year | 11,902,587 | 1,450,048 | 0.87 | 0.15 | |
| | Add: Depreciation (after adjustment) | 3,277 | – | 0.00 | – | |
| | | <u>11,905,864</u> | <u>1,450,048</u> | <u>0.87</u> | <u>0.15</u> | |
| | Changes in working capital: | | | | | |
| | Current liabilities increase/(decrease) | 13,523,286 | 19,289,087 | 0.99 | 1.56 | |
| | Current assets (increase)/decrease | (13,536,730) | (6,524,522) | (0.99) | (0.53) | |
| | Cash generated from operation | <u>11,892,420</u> | <u>14,214,613</u> | <u>0.87</u> | <u>1.15</u> | |
| | Net cash generated from operating activities | <u>11,892,420</u> | <u>14,214,613</u> | <u>0.87</u> | <u>1.15</u> | |
| B) | Cash flow from investing activities | | | | | |
| | Acquisition of fixed assets | (118,000) | – | (0.01) | – | |
| | Share capital | – | 1,000,000 | – | 0.08 | |
| | Net cash generated from investing activities | <u>(118,000)</u> | <u>1,000,000</u> | <u>(0.01)</u> | <u>0.08</u> | |
| C) | Net increase in cash and cash equivalent | (A+B) | 11,774,420 | 15,214,613 | 0.86 | 1.23 |
| D) | Opening cash and cash equivalents | | 15,214,613 | | – | – |
| E) | Closing cash and cash equivalent | (C+D) | <u>26,989,033</u> | <u>15,214,613</u> | <u>1.97</u> | <u>1.23</u> |

As per our separate report of even date

Rahman Rahman Huq

For and on behalf of the Board of Directors

Auditor

PRAVEEN DALAL

SHYAM SUTARIA

Director

Director

Place: Dhaka

Place : Dhaka

Date: December 29,2004

Date : December 29,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

MBL INDUSTRIES LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the year ended September 30, 2004

| Amount in Takas | Share capital | Unappropriated profit | Total |
|--|------------------|-----------------------|-------------------|
| Net profit after tax for the year 2003 | 1,000,000 | 1,450,048 | 2,450,048 |
| Balance at September 30, 2003 | 1,000,000 | 1,450,048 | 2,450,048 |
| Net profit after tax for the year 2004 | – | 11,902,587 | 11,902,587 |
| Balance at September 30, 2004 | 1,000,000 | 13,352,635 | 14,352,635 |

| Amount in Rs. Crores | Share capital | Unappropriated profit | Total |
|--|---------------|-----------------------|-------------|
| Net profit after tax for the year 2003 | 0.08 | 0.12 | 0.20 |
| Balance at September 30, 2003 | 0.08 | 0.12 | 0.20 |
| Net profit after tax for the year 2004 | – | 0.86 | 0.86 |
| Balance at September 30, 2004 | 0.07 | 0.98 | 1.05 |

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

Note : The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

1. Company profile

MBL Industries Limited is a private limited company incorporated on 2 August 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 4 August 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 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. These are depreciated under straight line method to write off their cost over their useful lives. Rate of depreciation charged as follows:

Equipment 33.33%

Depreciation has been charged from the month of acquisition.

3.4 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 the assessment would be made in the year the assessment is completed.

3.5 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.

3.6 Reporting period

Financial statements of the company cover the period from October 1, 2003 to September 30, 2004.

4. Share capital

As on September 30,

| | 2004 Taka | 2003 Taka | 2004 Rs. Crores | 2003 Rs. Crores |
|--|----------------------|------------------|--------------------|--------------------|
| Authorised: | | | | |
| 100,000 Ordinary shares of Tk 10 each | <u>1,000,000</u> | <u>1,000,000</u> | | |
| Paid up: | | | | |
| 100,000 Ordinary shares of Tk 10 each fully paid up in cash | <u>1,000,000</u> | <u>1,000,000</u> | <u>0.07</u> | <u>0.08</u> |
| At September 30, 2004, share holding position of the company was as follows: | | | | |
| | No. of shares | Taka | | |
| Marico Bangladesh Limited (MBL) | 99,996 | 999,960 | | |
| Held by Directors as nominees of MBL | 4 | 40 | | |
| | <u>100,000</u> | <u>1,000,000</u> | | |

MBL INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

5. Property, plant and equipments

Amount in Taka

| Particulars | Cost | | | Depreciation | | | Net book value | |
|-------------------|-------------------------|--------------------------------|---------------------------|-------------------------|----------------------------|---------------------------|---------------------------|---------------------------|
| | As at Oct. 1 2003 | Addition during the year | As at Sept. 30 2004 | As at Oct. 1 2003 | Charged for the year | As at Sept. 30 2004 | As at Sept. 30 2004 | As at Sept. 30 2003 |
| Computers | - | 106,000 | 106,000 | - | 2,944 | 2,944 | 103,056 | - |
| Office equipments | - | 12,000 | 12,000 | - | 333 | 333 | 11,667 | - |
| Total | - | 118,000 | 118,000 | - | 3,277 | 3,277 | 114,723 | - |

Amount in Rs Crores

| Particulars | Cost | | | Depreciation | | | Net book value | |
|-------------------|-------------------------|--------------------------------|---------------------------|-------------------------|----------------------------|---------------------------|---------------------------|---------------------------|
| | As at Oct. 1 2003 | Addition during the year | As at Sept. 30 2004 | As at Oct. 1 2003 | Charged for the year | As at Sept. 30 2004 | As at Sept. 30 2004 | As at Sept. 30 2003 |
| Computers | - | 0.008 | 0.008 | - | 0.001 | 0.001 | 0.007 | - |
| Office equipments | - | 0.001 | 0.001 | - | 0.000 | 0.000 | 0.001 | - |
| Total | - | 0.009 | 0.009 | - | 0.001 | 0.001 | 0.008 | - |

6. Trade Debtors

| | 2004 Taka | 2003 Taka | 2004 Rs. Crores | 2003 Rs. Crores |
|--|-------------------|--------------|-----------------------|-----------------------|
| Receivable from Kallol Traders Limited (KTL) | <u>17,288,063</u> | - | <u>1.26</u> | - |

7. Advances and deposits

| | | | | |
|---------------------|----------------|---|-------------|---|
| Advances: | | | | |
| For goods | 31,000 | - | 0.00 | - |
| For services | <u>188,207</u> | - | <u>0.02</u> | - |
| | <u>219,207</u> | - | <u>0.02</u> | - |
| Deposits: | | | | |
| VAT current account | 10,887 | - | 0.00 | - |
| | <u>230,094</u> | - | <u>0.02</u> | - |

8. Cash and cash equivalents

| | | | | |
|--|-------------------|-------------------|-------------|-------------|
| Cash on hand | 62,170 | 33,790 | 0.00 | 0.00 |
| Fixed deposit with Standard Chartered Bank | 20,467,640 | - | 1.50 | - |
| Cash at banks: | | | | |
| Standard Chartered Bank | 6,459,223 | 15,180,823 | 0.50 | 1.23 |
| | <u>26,989,033</u> | <u>15,214,613</u> | <u>1.97</u> | <u>1.23</u> |

MBL INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

| | 2004 Taka | 2003 Taka | 2004 Rs. Crore | 2003 Rs. Crore |
|--|--------------------|--------------------|-------------------|-------------------|
| 9. Income tax refundable/(payable) | | | | |
| Opening balance | (950,000) | – | (0.00) | – |
| Provision for current taxation | (7,577,902) | (950,000) | (0.55) | (0.08) |
| | (8,527,902) | (950,000) | (0.55) | (0.08) |
| Advance tax paid | 10,400,018 | – | 0.76 | – |
| | 1,872,116 | (950,000) | 0.21 | (0.08) |
| 10. Accrued interest | | | | |
| Interest on fixed deposit with bank | 670,979 | – | 0.05 | – |
| 11. Liability for expenses | | | | |
| Business promotion expenses | 2,646,265 | 1,000,000 | 0.19 | 0.08 |
| Advertisement expenses | 4,809,396 | – | 0.35 | – |
| Audit fees | 104,500 | 50,000 | 0.01 | 0.00 |
| Legal charges | 308,663 | – | 0.02 | – |
| Leakage and damage | 2,452,382 | – | 0.18 | – |
| | 10,321,206 | 1,050,000 | 0.75 | 0.08 |
| 12. Other liabilities | | | | |
| VAT payable | – | 308,663 | – | 0.02 |
| Tax deducted from suppliers bills | 13,565 | 1,500 | 0.01 | 0.00 |
| | 13,565 | 310,163 | 0.01 | 0.02 |
| 13. Trade creditors | | | | |
| Payable to Ethical Drugs Limited (EDL) | 22,477,602 | 16,978,924 | 1.64 | 1.38 |
| 14. Cost of sales | | | | |
| Purchase of finished goods | 110,627,337 | 169,978,924 | 8.09 | 1.38 |
| 15. General and administrative expenses | | | | |
| Salaries and allowances | 646,485 | – | 0.05 | – |
| Consulting fees | 51,924 | – | 0.00 | – |
| Legal charges | 376,610 | – | 0.03 | – |
| Repairs and maintenance | 39,550 | – | 0.00 | – |
| Communication expenses | 7,228 | – | 0.00 | – |
| Entertainment | 9,483 | – | 0.00 | – |
| Printing and stationery | 15,443 | – | 0.00 | – |
| Travelling and conveyance | 112,797 | – | 0.01 | – |
| Audit fees (Note 15.1) | 214,000 | 50,000 | 0.02 | 0.00 |
| Recruitment expenses | 72,083 | – | 0.01 | – |
| Bank interest and charges | 8,317 | – | 0.00 | – |
| Carriage outward | 609,059 | – | 0.04 | – |
| Staff welfare expenses | 3,880 | – | 0.00 | – |
| Conference and training expenses | 27,717 | – | 0.00 | – |
| Depreciation | 3,277 | – | 0.00 | – |
| Obsolete goods written off | 464,144 | – | 0.03 | – |
| Preliminary expenses | – | 57,710 | – | 0.01 |
| | 2,661,997 | 107,710 | 0.19 | 0.01 |

MBL INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

| | 2004 | 2003 | 2004 | 2003 |
|--|--------------------------|-------------------------|--------------------|--------------------|
| | Taka | Taka | Rs. Crore | Rs. Crore |
| 15.1 Auditors remuneration: | | | | |
| Statutory audit | 52,250 | 50,000 | 0.00 | 0.00 |
| Taxation | 52,250 | - | 0.00 | - |
| Special audit | 109,500 | - | 0.02 | - |
| | <u>214,000</u> | <u>50,000</u> | <u>0.02</u> | <u>0.00</u> |
| 16. Selling and distribution expenses | | | | |
| Business promotion expenses | 2,984,864 | 1,000,000 | 0.22 | 0.08 |
| Advertisement | 9,741,330 | - | 0.71 | - |
| Market research expenses | 2,205,584 | - | 0.16 | - |
| Leakage and damages | 2,452,382 | - | 0.18 | - |
| | <u>17,384,160</u> | <u>1,000,000</u> | <u>1.27</u> | <u>0.08</u> |

17. Number of employees

The number of employees engaged for the whole period or part thereof who received a total salary of Tk 36,000 and above was 3.

18. General

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