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Annual Report 2010-11

SUBSIDIARIES' FINANCIALS



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MARICO BANGLADESH LIMITED

Board of Directors

Harsh Mariwala, Chairman
Rohit Jaiswal, Managing Director
Milind Sarwate, Director
Vijay Subramaniam, Director
Debashish Neogi, Director
Ghulam Mostafa, Director
Iqbal Chowdhury, Company Secretary

Audit Committee

Rupali Chowdhury, Chairman
Vijay Subramaniam, Member
Debashish Neogi, Member
Iqbal Chowdhury, Secretary

Chief Financial Officer

Souvik B. Mazumdar

Head of Internal Auditor

Balaji K.S.

Registered Office

House-1, Road-1, Sector-1,
Uttara, Dhaka – 1230, Bangladesh

Factory

Mouchak, Kaliakoir, Gazipur

Auditors

Rahman Rahman Huq
Chartered Accountants
9, Mohakhali C/A, Dhaka

Legal Advisors

Mr. Khairul Alam Chowdhury
Barrister-at-law, Law Valley,
Saiham Sky View Tower,
45, Bijoy Nagor, Suite # 11A, (11th Floor)
Dhaka - 1000, Bangladesh

Principal Bankers

Citibank N.A.
Standard Chartered Bank
HSBC
Commercial Bank of Ceylon

Websites

www.maricobd.com
www.marico.com
www.kayaclinic.com

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

It is my privilege to congratulate all of you for yet another robust performance of your Company during the period October 2009 to March, 2011.

This year we have changed our financial year from October-September to April-March. As a result, we have prepared the report for the 12 months FY'10 (Oct'09-Sep'10), the extended 6 months period (Oct'10-Mar'11) and cumulative 18 months period (Oct'09-Mar'11) as prescribed by Securities and Exchange Commission (SEC) letter no- SEC/ CFD/11:29/2009/794 dated September 14, 2010. Our ensuing financial years will now end on March 31 of the year (April-March), going forward.

Your Company achieved strong financial results for FY'10 and extended period 6 months despite a very challenging business environment. Input Cost Inflation has been a scourge of the industry in recent times. Despite this, your company has continued its profitable growth journey through committed efforts in new product introductions, market expansion and share gains. The growth in turnover was 32% & 37% during 12 months period ended September 2010 and 6 months period ended March 2011 respectively accompanied by a Net Profit after Tax (NPAT) growth of 41% & 37% respectively over the corresponding periods in the previous year.

Your company continued its strategic investment in both, its current brands, Parachute and Hair code, and in new products such as Saffola Gold, Hair & Care, Parachute Advanced Cooling Oil. It also entered the skin care solutions business through the launch of Kaya Skin Clinics. The results of these investments will manifest in terms of returns in the future. Your Company will continue to focus on the primary building block of a creating a durable consumer franchise that will eventually drive margins.

We are likely to face continuing cost inflation in our raw materials given the volatility in the international markets. The board will work closely with Management to manage risks and ensure that the Company remains flexible and prepare to overcome the multiple challenges in this inflationary scenario. Leveraging the Marico group's resources, synergies and brand equity, Marico Bangladesh will actively pursue opportunities to drive sustained, broad-based growth and to enhance shareholder value across its businesses.

Marico continues to believe that strong corporate governance is essential to the sustainability of our businesses and performance. We remain firmly committed to maintain high standards in corporate governance as part of our accountability to all our stakeholders. Your Company's growth story carries the promise of not only financial performance, but of creating value for its stakeholders, primarily the consumer.

We achieved our objectives in a challenging environment with commitment, a sense of urgency and solid execution in the market place. I am proud of our employees' commitment, accomplishments and the financial results delivered, and believe that we are well positioned to continue to grow in the future.

Last but not least, I wish to thank all directors, management, employees, partners, customers, and all stakeholders and well-wishers for their unstinting support through this challenging period. I look forward to your continued support in the years ahead.

Thank you

Yours Sincerely,



Harsh Mariwala

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis is an integral part of understanding of financial results of the company. This has been prepared following the requirements of Sec 184 of The Companies Act, 1994, SEC Notification, Listing Regulations of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The reporting period of management discussion and analysis is October'09 to March'11 for 18 months due to the change in the accounting year. It covers general economic conditions in Bangladesh, overview of business operations, internal control systems, financial results and other key developments during the reporting period.

Some statements in this discussion describing projections, estimates, expectations or outlook may be forward looking. Actual results may however differ materially from those stated on account of various factors such as changes in government regulations, tax regimes, economic developments, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints.

FMCG Industry Structure and Development

Fast Moving Consumer Goods (FMCG) includes personal care, house hold care, packaged food and beverages, tobacco etc. which are frequently purchased consumer products.

In Bangladesh, FMCG sector is one of the largest sectors in the economy which is currently growing at double digit growth rate and is expected to maintain a high growth rate.

The FMCG market can be divided into two segments - urban and rural. The urban segment is characterized by high penetration levels and high spending propensity of the urban resident. The rural economy is largely agrarian - directly or indirectly dependent on agriculture as a means of livelihood - with relatively lower levels of penetration and a large unorganized sector.

The FMCG Industry caters to the needs of the consumers located across the country - both in the key cities and in the rural hinterland through a well developed and efficient supply chain model comprising C&F Agents, distributors, wholesalers and retailers. With access to the rural economy gradually improving with investments in physical infrastructure, it provides FMCG companies the potential to continue to grow their franchise of consumers.

With exposure provided through overseas travel and to a large extent through overseas media, consumers aspire to reach a level of consumption similar to consumers in the developed economies even as they are cautious about extravagance and over indulgence. This provides the FMCG companies with opportunities for growing the market.

Low capital requirements, simple manufacturing processes and sub-contracting of manufacturing activities are characteristics of the Industry. As a result, several small local brands tend to compete with well established multinational companies. FMCG companies have to continuously innovate and also advertise in order to build the equity of their brands and create mass pull. Brand building, product innovation and product differentiation are critical to the growth of FMCG companies.

Opportunities & Threats

- **Demographic profile**

The country has a population around 166.80 million*. This provides the FMCG companies with a large consumer base. The median age continues to be in mid to late twenties. The youth of today is conscious of the importance of being well groomed and looking good. With increasing focus on education and empowerment of women, their lifestyle and propensity to consume is undergoing a change; they are becoming more fashion conscious and open to experimenting with new products.

- **Urban economy**

Rapid urbanization has resulted in large markets getting concentrated in urban centers. Increasing disposable incomes and exposure to media have shaped aspirations of the urban consumer while consumerism has led to satisfaction of wants. Availability of credit and changed mindset towards consumption has further fuelled the demand for consumables. The high growth trajectory in the urban economy of the past few years has shown some slowdown on account of the global economic crisis, particularly for discretionary spending. However, the impact has been muted for items of daily consumption.

- **Rise of the rural economy**

The economic scenario in the country has undergone a change in the recent past. Nearly two-thirds of the Bangladesh population resides in sub-urban and rural villages and mainly practices agriculture besides trading activities. Facilities and

MANAGEMENT DISCUSSION AND ANALYSIS

government subsidies in inputs of agriculture, diversification from basic farming to fisheries, poultry, live stocks, dairy and organized branded marketing of several of these items continues to boost the rural economy. Rural Bangladesh now forms a sizeable share of the demand for FMCG products, consumer durables and consumer discretionary products. Increased spending power of the rural people coupled with relatively lower degree of penetration of branded FMCG products in these markets, have provided the Industry players with an opportunity to drive growth. Established brands are tapping in to the rural economy to encourage up-trading by the consumer from unbranded products to branded ones with assured quality and purity.

- **Lifestyle and awareness**

The present day consumer is savvy, has higher aspirations and is brand & lifestyle conscious. She does not mind spending on quality products and seeks value for money spent. FMCG companies have recognized the opportunity available by introducing “Value for Money” as well as “Premium” product variants aimed at catering to varying needs of different consumers. Products aimed at delivering healthy lifestyle solutions have been introduced to woo health conscious consumers.

- **Branded solutions sector**

The increase in the propensity to consume and the increasing consciousness for adopting healthy lifestyle offerings have led to the development of branded solutions including leveraging of existing brand identities and creating extensions around them. The quality conscious consumer is willing to pay premium for effective solutions, improved services and a superior experience. The focus is to provide consumers with a holistic solution for their needs in the form of a consolidated offering of various products and services.

- **Impact of National Economy over Marico Business**

GDP growth for the last 5 years reveals that the economy of Bangladesh has been growing at a steady rate of 5-6 percent. Moreover, growing disposable incomes and increased media exposure along with population growth are ushering in a revolution in consumer behavior, shifting them from using unbranded low grade products to FMCG products, presenting exciting growth opportunities for companies. Despite the global economic recession, the growth in demand in the rural market especially in FMCG space is unabated. Bangladesh finds place in the Goldman Sachs N11 (Next 11) list of economies with high potential. In Bangladesh the per capita consumption for the FMCG product is amongst the lowest in the world presenting ample growth opportunity for the FMCG sector.

Risks & Concerns

- **Input Costs**

Commodity prices are often linked to international indices and volatility in these benchmarks causes fluctuations in the product prices. The past 2-3 years have witnessed wide fluctuations in the price of commodities. Crude Oil touched a record high of USD 140 per barrel in FY09 before crashing to below USD 50 per barrel in FY10 and then again breaching USD 100 per barrel during the second half of FY11. Volatility was consequently experienced in other commodities such as crude derivatives like liquid paraffin and high density polyethylene (HDPE) as well as edible oils. Input costs comprise nearly 60% of the production costs in the FMCG sector. Inflationary tendencies in the economy directly impact the input costs and could create a strain on the operating margins of the FMCG Companies. Brands with greater equity may find it easier to adjust prices in line with fluctuating commodity prices and input cost.

- **Competition**

The FMCG environment in Bangladesh is dominated by a few large MNCs. Growing entrepreneurship among local operators is seeing newer entrants thereby making the market competitive. Therefore, focus on branding, product differentiation, distribution and innovation is of higher importance, to build a loyal consumer franchise.

- **Product innovation and new product launches**

Success rate for new product launches in the FMCG sector is low. Superior consumer understanding and differentiated propositions are major priorities that the sector needs to focus on in order to minimize the risk and cost involved in such initiatives. Marico group has adopted the prototyping approach to new product introductions that helps maintain a healthy pipeline and at the same time limits the downside risks.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Discretionary spending / Down trading**

In situations of economic duress, items which are in the nature of discretionary spending are the first to be curtailed. This is relevant for the lifestyle solutions offered by companies. In an extended recession, down trading from branded products to non-branded ones could also occur and affect the financial performance of the company.

- **Regulatory Risk**

Changes in Tax, customs duty (CD), Supplementary Duty (SD) and VAT laws and rates in Bangladesh is common in nature which makes a company's business plan unviable and put pressure on management in achieving their desired goals. Any upward revisions and especially sudden, unpredictable changes could adversely impact results of operations and profitability of the company.

Internal Control Systems and Their Adequacy

Marico has a well established and comprehensive internal control structure across the value chain to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition; that transactions are authorised, recorded and reported correctly and that operations are conducted in an efficient and cost effective manner. The key constituents of the internal control system are:

- Establishment and review of business plans
- Identification of key risks and opportunities
- Policies on operational and strategic risk management
- Clear and well defined organization structure and limits of financial authority
- Continuous identification of areas requiring strengthening of internal controls
- Operating procedures to ensure the effective business process
- Systems of monitoring compliance with statutory regulations
- Well-defined principles and procedures for evaluation of new business proposals/capital expenditures
- A robust management information system
- A robust internal audit and review system

Marico has an Internal Audit function headed by a senior management team member. He coordinates and supervises all internal control systems. We have two internal auditors- M/s Hossain Farhad & Co., a local Chartered Accountant Firm that conducts audits throughout the year and M/s Aneja Associates, a Chartered Accountant Firm from India, who are also the internal auditors of the parent company.

Internal Audit is undertaken on a continuous basis covering areas across the value chain such as manufacturing operations, sales and distribution, marketing, finance. Reports of the internal auditor are regularly reviewed by the management and corrective actions are initiated to strengthen controls and enhance the effectiveness of the existing systems.

The SAP suite of ERP (SAP R/3, SCM, and APO) provides a real time check on various transactions emanating from various business processes of the company. Marico-Net, the web-enabled architecture that links Marico to its biggest business associates, namely its distributors, also helps the company exercise similar controls over its sales system.

Human Resources & Development

Marico is a professionally managed organization that has built for itself a stimulating work culture that empowers people, promotes team building and encourages new ideas.

The organization believes that great people deliver great results and lays the foundation for profitable sustainable growth. The organization lays emphasis on recruiting right talent not only for the present but also with an emphasis on managing the future.

The Company has recently started its campus recruitment program. The focus is to recruit the best talent from the premier institutes of the country. The organization believes in grooming talent by providing challenge and early responsibility at work.

MANAGEMENT DISCUSSION AND ANALYSIS

A strong business linkage of all Human Resource processes and initiatives is maintained at Marico. The organization has created a favorable work environment that motivates performance. Marico has a process of performance enhancement through deployment of MBR (Management By Results) to create an environment of challenge and stretch. It is also linked to a variable element of performance based compensation.

The organization believes in investing in people to develop and expand their capability. Marico's strategies are based, inter alia, on processes of continuous learning and improvement. Personal development plans focus upon how each individual's strength can be best leveraged so as to help each one to deliver to his/her full potential. External training programs and cross functional exposure provides the extra edge.

Marico has formulated a contemporary set of values and it is important that all members in the organization are not only aware but also consciously practice and "walk the talk" on all its values. To build this consciousness and commitment, Value Workshops are held for teams to identify their focus areas and plan actions accordingly.

Marico Growth Story

Marico achieved a turnover of Tk. 536 crore during the 12 months period ended September 30, 2010, a growth of 32% over the corresponding period. For the extended six months ending March 31, 2011, the turnover was Tk 285 crore a growth of 37% versus the comparable period in the previous year. The value growth was higher owing to inflation in some of the company's key input materials, only a part of which the company chose to pass on to the consumer in order to protect its consumer franchise. The Company has maintained a high paced growth. Over the last five years (period ended September 30 2010), it has recorded a Compound Annual Growth Rate (CAGR) of 56.72%.

Profit after Tax (PAT) for the 12 months period ended September 30, 2010 was Tk. 67.51 crore, a growth of 43% over period ending September 30, 2009. CAGR of PAT for the last 5 years was 60.25%. In addition, the company achieved PAT Tk. 35.73 crore during the 6 month period ending March 31, 2011, a growth of 37% over the same period in the previous year.

Few Brands Stories

Parachute Coconut Oil

Parachute, Marico's flagship brand, continued to expand its franchise during the year. Parachute coconut oil, the major part of its portfolio, grew by over 41% in volume for 12 months (Oct'09 to Sep'10) period as compared to corresponding period and 19% in volume for 6 months (Oct'10 to Mar'11) over the same period in the previous year.

The year experienced an increase in copra (dried coconut kernel - the raw material input for coconut oil) prices particularly from July, 2010, after a year of steady prices in the previous year.

Hair Code

Hair Code Herbal Hair Dye was launched in Bangladesh in 2008. Available in 6g sachet packs, Hair Code is the pioneer in the segment of herbal hair dye in Bangladesh. It covers grey hair naturally, giving a smarter, younger and more confident look.

During the year, Marico's Hair Code herbal hair dye recorded healthy growth both in volume and value as compared to the corresponding period in the previous year. The market share as a whole was 27% on March, 2011 at the end of the reporting period.

In the longer term, Hair Code would like to establish itself as a leading men's hair care brand. It has commenced its journey in the hair dye space and plans to have a basket of offerings that provides good hair care options over time. During last year, Hair Code Herbal Hair Color, was launched across Hair Code's key markets, the brand has been supported with insightful advertising and salon activation programs. The performance has been in line with expectations.

Saffola

Marico's wellness brand, Saffola started its journey in Bangladesh in April, 2010 with Saffola Gold, edible oil. It is a unique blend of Rice Bran Oil and Safflower Oil, which helps manage Cholesterol when accompanied with a healthy lifestyle.

The brand positions itself on the "good for the heart" platform and rides the trend of increasing concern around health and heart health in Bangladesh. With the increasing awareness about health and a healthy lifestyle, Saffola has been able to steadily increase its household base.

MANAGEMENT DISCUSSION AND ANALYSIS

Currently, your company imports the product and markets it in all metro cities of the country. The brand has gained attention from consumers using a strategic mix of promotions and price reductions during the year to generate trials. This was supported by a media campaign and other marketing efforts. It will take a few years' time to establish its position significantly in its category. The company will maintain a 360 degree campaign approach to increase the consumer base of Saffola as the brand has a high retention rate.

Hair Oils

Parachute Advanced hair oil stands for healthy and gorgeous hair. Parachute Beliphool perfumed coconut hair oil which when massaged into the hair and scalp helps result in hair that is full of life. Also its non-sticky property helps attractiveness to the younger generation. Hair & Care nourishing non-sticky hair oil is meant for the younger generation who wants to experience the goodness of hair oil in modern fashion. With escalating need of modern women to quickly manage their hair, there has been an opportunity to serve consumers looking for value added options to their hair oiling needs. Marico has a vision of obtaining superiority in the VAHO segment (Value Added Hair Oil). Though at present it has single digit market share in this category, it is expected to grow in the coming days with strong focus and both marketing and sales support.

Recently, to strengthen its position in the VAHO segment, Marico launched Parachute Advanced Cooling Hair Oil. This is a coconut oil enriched with 21 ayurvedic herbs that helps in maintaining hair health in addition to keeping the head cool. Initial response from consumer is promising for the brand.

Soap Brands

"Camelia" & "Aromatic" soap brands were acquired in 2005 & 2006 respectively. The company had re-launched "Aromatic" re-branding it as "Aromatic Gold" and achieved distribution gains that helped the company's overall portfolio. However, it later reprioritized its investments to other brands in its portfolio as the soaps business was earning low margins.

Kaya Skin Clinic

Kaya Skin Care Clinic is the first organized player in the segment of cosmetic dermatology and has the opportunity to enjoy a first mover advantage in this segment in Bangladesh.

Marico Bangladesh Limited opened its first clinic in Dhaka in early February, 2010 at Gulshan, Bangladesh. Having received a good response, the company has opened a second clinic at Dhanmondi. Kaya's offering are in the nature of discretionary spends.

The company's overall experience with Kaya Skin Care business has been encouraging. This is a fairly young business. Marico's belief in the Kaya business model is therefore intact, especially as it perceives the long term opportunity in skin care solutions to be significant.

Distribution

Distribution facilities and timely reach of products to consumers are amongst the key strengths of a FMCG company. Marico has built a strong distribution infrastructure. It has four depots located at Gazipur, Chittagong, Jessore and Bogra servicing its distribution network throughout the country both in rural and urban areas. Marico has distribution business partners that ensure adequate and efficient coverage of retail stores across the country. Their operations are supported and supervised by Marico's own sales professionals including RSM (Regional Sales Manager), ASM (Area Sales Manager) and TSM (Territory Sales Manager).

Capacity Building

Investments were made in building up capacity. We have added around 15,000 sft of floor space next to our Gazipur factory to augment the capacity. New land has been purchased to expand its production facilities for current products as well as future products. Augmentation of capacity has been necessitated by increase in demand.

Quality Assurance

Marico Bangladesh achieved MMEM (Marico Manufacturing Excellence Model) Certification post audit from the Global Corporate Quality Assurance team. These Quality System facilitate the manufacturing locations to produce consistent quality products day in and day out. They also ensure that there is specific focus on continual improvement of processes, systems and procedures. Marico cleaned the ISO 9001 sustenance audit with flying colors post the certification obtained in 2009. Marico emphasises special focus on Safety & Environment at the manufacturing locations as well as at their vicinity. In regard to this Marico will go for ISO 14001 & ISO 18001 certifications in this financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Technology in Marico

The entire sales commercial, factory commercial, finance operation runs through SAP based integrated ERP system. Use of this software package makes it possible to track and manage, in real-time, sales, production, finance & accounting in an enterprise. eVAT is another milestone initiative that saves paperwork and time. VAT is processed at the factory on eVAT software where all the transactions are recorded and processed. In some of the metro cities, the Distributor's Sales Men (DBSMs) carry Personal Digital Assistant (PDA), which makes the sales process much more efficient. PDA is installed with software that makes the sales process easier for both retailers and DBSMs. The PDA has been customized so that the medium of interface is in Bengali. Such a PDA assists the DBSMs in calling on all the brands, SKUs and aids and checking for sufficiency of stock at the retail outlet.

Cost Structure of Marico Bangladesh Limited

Percentage to sales	12 months period ended		6 months period ended	
	Sep' 2010	Sep' 2009	Mar' 2011	Mar' 2010
Material Cost (Raw + Packaging)	67%	72%	71%	64%
Advertising & Sales Promotion (ASP)	9%	6%	6%	12%
Personnel Costs	3%	3%	3%	3%
Other Expenses	4%	6%	4%	4%
PBDIT Margins	21%	16%	20%	21%
Gross Margins (PBDIT before ASP)	30%	22%	27%	32%

Capital utilization for Marico Bangladesh

Over the years, Marico has maintained a healthy Return on Capital Employed (ROCE). Given below is a snapshot of various capital efficiency ratios for Marico:

Ratios	12 months period ended		6 months period ended*	
	Sep' 2010	Sep' 2009	Mar' 2011	Mar' 2010
Return on Net worth	31%	30%	30%	30%
Return on Asset	22%	24%	17%	14%
Working Capital Ratios				
Inventory Turnover (Days)	47	61	66	119
Net Working Capital Turnover (Days)	184	148	189	183
Finance Costs to Turnover (%)	0.63%	0.17%	0.42%	0.18%

*Annualized

Share Holders Value

● Dividend Declared

At the Board of Directors meeting held on October 21, 2010 the Board of Directors had declared and paid interim cash dividend @25% and recommended final cash dividend @20% on April 24, 2011. With this effect, the total dividend for 18 months period is @45%.

Outlook

- Sustained volume and value growth in business
- Long term approach of margin protection in an inflationary scenario
- Continued investments in creating growth engines for the future

The company expects to sustain overall volume growth and to improve value growth.

On Behalf of the Board of Directors

Harsh Mariwala
Chairman

Rohit Jaiswal
Managing Director

CORPORATE GOVERNANCE REPORT

Marico believes that Corporate Governance is not an end in itself but is a catalyst in the process towards maximization of shareholder value. Therefore, shareholder value as an objective is woven into all aspects of Corporate Governance - the underlying philosophy, development of roles, creation of structures and continuous compliance with standard practices.

This report on Corporate Governance is divided into the following parts:

- Compliance with SEC Corporate Governance Guideline Notification
- Board of Directors
- Audit Committee
- General Body Meetings
- Means of Communication
- General Shareholders' Information

Compliance with SEC Corporate Governance Guideline Notification:

MBL follows Securities & Exchange Commission Corporate Governance guideline issued on February 20, 2006 vide notification no-SEC/CMRRCD/2006-158/Admin/02-08.

Board of Directors:

MBL's Board of Directors consists of 7 (seven) members including the Managing Director. Among the members, two are non-shareholding non-executive independent directors. The Managing Director sits as a member of the Board of Directors.

Chief Financial Officer, Head of Internal Audit and Company Secretary:

The Board of Directors has engaged Mr. Souvik B. Mazumdar as Chief Financial Officer, Mr. Balaji K.S. as Head of Internal Audit and Mr. Iqbal Chowdhury as Company Secretary of the company.

Audit Committee:

The Board of Directors has constituted an Audit Committee as a sub-committee of the Board. There are 3 (three) members to the committee (excluding the Company Secretary).

External/Statutory Auditors:

M/s. Rahman Rahman Huq is acting as statutory auditors. They are not involved with any other services of the company.

Status of Compliance with Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February, 2006 The checklist are attached hereunder:-

SEC Compliance Status

Condition No.	Title	Compliance Status	Explanation for Non Compliance with the Condition
1.1	Board's Size: Board members should not be less than 5 (five) or more than 20 (twenty)	Complied	
1.2 (i)	Independent Director: At least 1/10th	Complied	
1.2 (ii)	Appointment of Independent Director by Elected Directors	Complied	
1.3	Individual Chairman of the Board and Chief Executive Officer, with defined roles and responsibilities	Complied	
1.4	The Directors to report shareholder on:		
1.4 (a)	Fairness of Financial Statements	Complied	
1.4 (b)	Maintenance of proper Books of Accounts	Complied	
1.4 (c)	Adaptation of proper accounting policies and estimates	Complied	
1.4 (d)	Compliance with International Accounting Standard	Complied	

CORPORATE GOVERNANCE COMPLIANCE REPORT

Condition No.	Title	Compliance Status	Explanation for Non Compliance with the Condition
1.4 (e)	Soundness on Internal Control Systems	Complied	
1.4 (f)	Ability to continue as a Going Concern	Complied	
1.4 (g)	Significant deviation from last year	Complied	
1.4 (h)	Presentation of last three years data	Complied	
1.4 (i)	Declaration of Dividend	Complied	
1.4 (j)	Details of Board Meetings	Complied	
1.4 (k)	Shareholding Pattern	Complied	
2.1	Appointment of CFO, Head of Internal Audit, and Company Secretary and defining their roles and responsibilities	Complied	
2.2	Attendance of CFO and the Company Secretary at Board of directors Meeting	Complied	
3	Audit Committee		
3.1 (i)	Constitution of Committee	Complied	
3.1 (ii)	Constitution of Committee with Board Members including one Independent Member	Complied	
3.1 (iii)	Filling of Casual Vacancy in Committee	Complied	
3.2 (i)	Chairman of the Committee	Complied	
3.2 (ii)	Professional qualification and experience of the Chairman of the Committee	Complied	
3.3.1 (i)	Reporting to the Board of Directors	Complied	
3.3.1 (ii) (a)	Reporting of Conflict of Interest to the Board of Directors	N/A	
3.3.1 (ii) (b)	Reporting of any fraud or irregularity to the Board of directors	Complied	
3.3.1 (ii) (c)	Reporting of violation of laws to the Board of Directors	N/A	
3.3.1(ii) (d)	Reporting of any other matter to the Board of Director	N/A	
3.3.2	Reporting of qualified points to Commission	N/A	
3.4	Reporting to the Shareholders and General Investors	Complied	
4.0	External/Statutory Auditors		
4.00 (i)	Non-engagement in appraisal or valuation	Complied	
4.00 (ii)	Non-engagement in designing of Financial Information System	Complied	
4.00 (iii)	Non-engagement in Book-Keeping	Complied	
4.00 (iv)	Non-engagement in Broker-Dealer Service	Complied	
4.00 (v)	Non-engagement in Actuarial Services	Complied	
4.00 (vi)	Non-engagement in Internal Audit	Complied	
4.00 (vii)	Non-engagement in any other services	Complied	

II. BOARD OF DIRECTORS**(i) Composition and Categories of Directors:-**

Name	Category
Mr. Harsh Mariwala	Chairman
Mr. Milind Sarwate	Director
Mr. Vijay Subramaniam	Director
Mr. Debashish Neogi	Director
Mr. Rohit Jaiswal	Managing Director
Mrs. Rupali Chowdhury	Independent Director
Mr. Ghulam Mostafa	Independent Director

CORPORATE GOVERNANCE COMPLIANCE REPORT

(ii) Attendance of each Director at the Board meetings:

Eight meetings of the Board of Directors were held during the reporting period.

The attendance record of all directors is as under:-

Names of Directors	No. of Board Meetings	
	Held	Attendance
1. Mr. Harsh Mariwala	9	1
2. Mr. Milind Sarwate	9	1
3. Mr. Vijay Subramaniam	9	8
4. Mr. Debashish Neogi	9	5
5. Mr. Kunal Gupta*	5	5
6. Mr. Rishi Pardal*	3	3
7. Mr. Rohit Jaiswal	2	2
8. Mrs. Rupali Chowdhury	7	7
9. Mr. Ghulam Mostafa	7	5

*Mr. Kunal Gupta and Mr. Rishi Pardal resigned from board of directors on July 20, 2010 and October 21, 2010 respectively.

III. AUDIT COMMITTEE

Constitution:

The Audit Committee was constituted by the Board of Directors at its meeting held on November 26, 2009, in accordance with Securities and Exchange Commission, Corporate Governance Guideline vide notification no-SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006. The Audit Committee was last re-constituted by the Board of Directors on March 22, 2010.

The Audit Committee now comprises the following Members:

Mrs. Rupali Chowdhury	Chairman
Mr. Vijay Subramaniam	Member
Mr. Debashish Neogi	Member
Mr. Iqbal Chowdhury	Secretary to the committee

The Audit Committee reports to the Board of Directors. It usually notifies Board of Directors along with oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

Moreover, M/s Hossain Farhad & Co., a local Chartered Accountant Firm that conducts audits throughout the year and M/s Aneja Associates, a Chartered Accountant Firm from India reports to the audit committee which is undertaken on a continuous basis covering areas across the value chain such as manufacturing operations, sales and distribution, marketing and finance.

The Committee had 1 meeting during the period:

Names of Directors	No. of Board Meetings	
	Held	Attendance
1. Mrs. Rupali Chowdhury	1	1
2. Mr. Vijay Subramaniam	1	1
3. Mr. Debashish Neogi	1	0

CORPORATE GOVERNANCE COMPLIANCE REPORT

IV. GENERAL BODY MEETINGS

Annual General Meetings

YEAR	VENUE	DATE	TIME
2009-2010	Mouchak, Kaliakoir, Gazipur, Company's Factory Premises	January 19, 2010	11:00 AM

There was no Special Resolution passed at last General Meeting.

V. MEANS OF COMMUNICATION

Price sensitive information, quarterly, half-yearly and annual results of Marico Bangladesh Limited are published in two daily newspapers- one English and another in Bengali newspaper. All official financial results and price sensitive information are communicated by the Company through its corporate website - www.maricobd.com. The Management Discussion and Analysis Report forms as a part of the Annual Report.

VI. GENERAL SHAREHOLDER INFORMATION

Details of Directors seeking reappointment at the forthcoming Annual General Meeting:

Mr. Vijay Subramaniam

Vijay Subramaniam heads the International Business Group at Marico Limited and is responsible for the growth and development of the overseas FMCG business.

Vijay brings with him an enriched career in Marketing and Sales spanning over two decades. Prior to Marico, Vijay was designated the Head of Marketing at Henkel India Limited, for their laundry and homecare division. From 1999 till 2003, he was associated with Pepsi as its Vice President - Marketing. Vijay began his career with United Breweries and went on to become their All India Marketing Manager.

Vijay Subramaniam holds a MMS degree from Jamnalal Bajaj Institute of Management Studies and a Bachelor's degree in Engineering from University of Madras.

Mr. Debashish Neogi

Mr. Debashish Neogi is a Chartered Accountant and Cost Accountant; Debashish earned a B.Com (Hons.) from St.Xavier's College, Kolkata, India in 1991. He subsequently completed his professional education, which included a Diploma in business finance between 1994-97.

He previously held the position as Managing Director of Marico Bangladesh Limited. Mr. Debashish Neogi, 40, is currently Executive Vice President and Regional Head of Marico - Middle East and North Africa. Debashish brings with him years of experience - primarily in the consumer product industry, spanning organizations such as Polar, Perfetti, Becton & Dickinson and Marico.

Details of Managing Director seeking confirmation of appointment at the forthcoming Annual General Meeting:

Mr. Rohit Jaiswal

Mr. Rohit Jaiswal is a commerce graduate (a University topper & Gold Medalist) and holds his management degree from The Indian Institute of Management - Bangalore. He has vast experience in customer management and marketing across portfolios in Marico and earlier in Colgate Palmolive (India) Limited.

Rohit joined Marico in 2006 and has successfully accomplished his previous assignments with Marico India Limited, as Head - Modern Trade & Rural Marketing; Head - West Division & Head - Trade Marketing & Channel Development. Prior to joining Marico, he has worked with Colgate Palmolive (India) Limited in various positions & across geographies, last position in Colgate being in the capacity of Regional Manager for Mumbai Region. Rohit brings with him years of rich experience in the consumer goods industry with specialization in Trade Marketing & Customer Management.

Mr. Rohit Jaiswal has been appointed as Managing Director by Board of Directors on October 21, 2010.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Details of AGM :	
AGM-Date, time and Venue	10.30 a.m. Tuesday, June 28, 2011 Golf Garden, Army Golf Club, Airport Road Dhaka, Bangladesh.
Financial Year	October 01, 2009 - March 31, 2011
Record Date	Sunday, May 8, 2011
Dividend Paid & Recommended	Interim Cash Dividend @25% on Face Value Final Cash Dividend @20% on Face Value Total @45% Cash Dividend for the reporting period of 18 months
Dividend Payment Date	Paid within 30 days from decision of board meeting held on October 21, 2010
Listing on Stock Exchanges	Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE)
Listing fees upto December 31, 2011 has been paid.	
Stock /Scrip Code	DSE - MARICO CSE - MARICO
ISIN Number	BD0481MRICO6
Category	Pharmaceuticals & Chemicals
Investors' enquiry	+88(02)8931202, Ext-100, 102 info@maricobangladesh.net www.maricobd.com

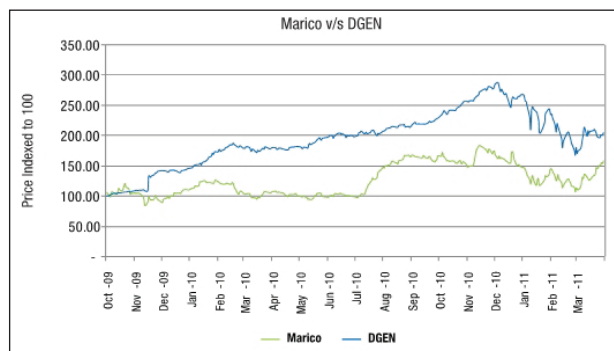
Stock Price Information and Stock Performance

Quarterly Stock Price

Our common stock is traded on the Dhaka Stock Exchange and Chittagong Stock Exchange under the symbol MARICO. The high and low common stock prices per share in Taka were as follows:

Quarter Ended	December 31	March 31	June 30	September 30
October 01, 2009 -September 30, 2010				
High	523.00	530.00	452.90	700.00
Low	330.00	390.00	376.00	402.70
October 01-March 31, 2011 (Six Months)				
High	768.90	665.00	N/A	N/A
Low	600.00	432.00	N/A	N/A

Script Performance in comparison to DGEN



Securities Transactions Insider Trading Policy

The Company has a formal Insider Trading Policy and Disclosure of Dealings in Securities Policy on dealings in the securities of the Company, which sets out the implications of insider trading and guidance on such dealings. The policy has been distributed to the directors and officers. In compliance with SEC (Prohibition of Insider Trading) Rules, 1995 & relevant notifications on best practices on dealing in securities, the Company issues circulars to its Directors and officers informing that the Company and

CORPORATE GOVERNANCE COMPLIANCE REPORT

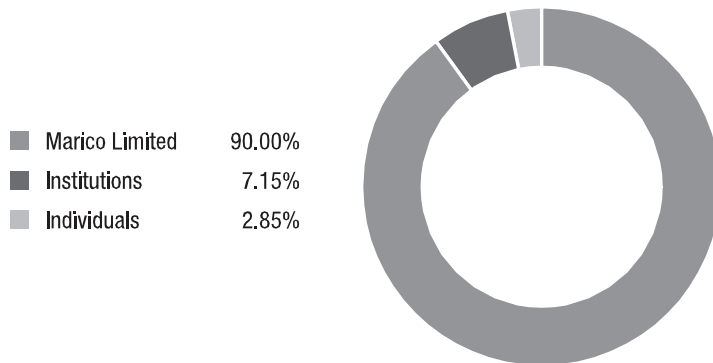
its officers must not deal in listed securities of the Company two month before the release of the full-year results and before closing day of quarterly financial statements to the day of board meeting to be held and before the release of quarterly results, and if they are in possession of unpublished price-sensitive information.

Pattern of Shareholding on Record Date-May 08, 2011

Particulars	No of Shares	Percentage
Parent Company:		
Marico Limited	28,349,993	90.00%
Other Related Parties:		
Board of Directors:		
Hash Mariwala, Chairman	1	
Milind Sarwate, Director	1	
Vijay Subramaniam, Director	1	
Debashish Neogi, Director	1	
Rohit Jaiswal, Managing Director	1	
Souvik B. Mazumdar, CFO and Spouse and Minor Children:	–	
Balaji K.S. Head of Internal Audit and Spouse and Minor Children:	1	
Iqbal Chowdhury, CS and Spouse and Minor Children:	7,250	
Executives (Top 5 Salaried Person Other than MD, CFO, HIA, CS):		
Ashikur Rahman	–	
Subir De	–	
Tuhin Ahmed Chowdhury	2,700	
Moin Uddin Ahmed Khan	6,050	
Shahid Hossain	5,000	

Percentage of Shareholding-Marico Bangladesh Limited

Category	No of Shares	Percentage
Marico Limited	28,350,000	90.00%
Institutions	2,251,850	7.15%
Individuals	898,150	2.85%
Total	31,500,000	100%



On Behalf of the Board of Directors

Harsh Mariwala
Chairman

Rohit Jaiswal
Managing Director

DIRECTORS' REPORT

To the Members

Your Board of Directors ("Board") is pleased to present the Eleventh Annual Report of your company, Marico Bangladesh Limited for the period ended March 31, 2011 ('the period under review', 'the reporting period', or 'twelve months and extended six months').

This report is prepared in compliance with section 184 of the Companies Act 1994 and Securities & Exchange Commission Order no-SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006.

Principal Activities

The principal activities of the Company continued to be manufacturing and marketing of Fast Moving Consumer Goods ('FMCG'). The company is the manufacturer and marketer of well known brands like Parachute, Parachute Advanced, Parachute Beliphool, Aromatic, Camelia, Saffola, Haircode, Parachute Advanced, Kaya Skin Care Clinic etc.

New product launches and development

Your company has launched series of products like Haircode hair dye, Haircode hair color, Marico's Hair & Care perfumed non-sticky hair oil, Saffola Gold Blended Vegetable Oil, Parachute Advanced Cooling Oil etc. in the reporting period.

These new products have turned in a satisfactory performance and show potential for future growth.

Launch of 2nd Kaya Skin Care Clinic at Dhanmondi

Encouraged by the response to the first clinic, your company has launched its second Kaya Skin Care Clinic at Dhanmondi, Dhaka to meet its customers' service demand.

Change of Accounting Year from October-September to April-March and extension of time for holding AGM

Until the last annual report, financial statements were prepared on the basis of accounting year for twelve months from October 1 to September 30 and year ended September 30, 2009. The board has approved a change in the accounting year of the company to commence from April 1 and end on March 31, so as to align it with the accounting year of the holding company, Marico Limited. Therefore, your company has consolidated financial statements and annual report for the period from October 2009 to March 2011 (18 months) for the reporting period and has subsequently commenced the new accounting year from April 1, 2011 onwards for 12 months each. These changes are done with prior approval from relevant regulators (annexed) i.e. the Deputy Commissioner of Taxes (Ref. letter no. 072-201-1174/Co-9/2009-2010 dated June 2, 2010), The Registrar of Joint Stock Companies and Firms of Bangladesh (RJSC) (Ref. letter no. RJSCO-2763 dated July 14, 2010), and Securities & Exchange Commission (SEC) (Ref. letter SEC/CFD/11:29/2009/794 dated September 14, 2010).

Establishment of New Plant

Owing to the growing demand, your company has decided to set up another manufacturing plant to cater to the growing demand, to smoothen supply on time and to manufacture future products.

Your company has already purchased a land admeasuring 5.155 acre at Gazipur Sadar, Mohona, Bobanipur for the new plant.

Corporate Social Responsibility

- **Signing of MOU with BARI (Bangladesh Agricultural Research Institute)**

As a part of Corporate Social Responsibility (CSR), your company has associated itself with BARI (Bangladesh Agricultural Research Institute) by signing MOU in February, 2010 to help/educate farmers in Copra (basic raw material for coconut oil). We remain committed to helping farmers achieve fulfilling lives and recognize the interdependence of our future growth with their development.

- **Facilitating Training and Equipment to Farmers for Copra Production**

Marico has started to help poor farmers to develop copra production. The company facilitated them through training and providing machineries, consultancy for producing which aid to bring their daily earnings.

DIRECTORS' REPORT

- **Saffola Gold Free Health Camp**

Marico Bangladesh Limited organized a day long free health camp to serve the general public on September 25, 2010 under banner Saffola Gold. A good number of people participated in the free health camp. Moreover, Saffola 3 day free mobile health camp posed as observing of World Hypertension Day - 17th of May'10 in different area of Dhaka City.

Directors of the Company

Directors retiring by rotation

Mr. Vijay Subramaniam and Mr. Debashish Neogi, Directors of the company, retire by rotation as per relevant provision of the Companies Act, 1994 and relevant clause of Articles of Association of the company and being eligible offer themselves for re-appointment.

Changes in the Board of Directors

Mr. Kunal Gupta, Director and Mr. Rishi Pardal, Managing Director resigned from the Board of Directors of the company with effect from close of business hours on June 6, 2010 and on October 21, 2010 respectively. The Board of Directors has accepted their resignation and would like to place on record their sincere appreciation of the valuable services rendered by Mr. Kunal Gupta and Mr. Rishi Pardal.

Appointment of New Managing Director

The Board of Directors has appointed Mr. Rohit Jaiswal as Managing Director with effect from October 23, 2010. Hence, the Board of Directors has recommended Mr. Rohit Jaiswal's appointment as Managing Director for confirmation at the meeting of the members (AGM) of the company.

Director's Responsibilities for Financial Statements

The Statement of the **Director's Responsibility and Management's Report on Internal Control over Financial Reporting** for financial statements are given on page 33 of this report to Directors' Report Annexure-1 and 2.

Corporate and Financial Reporting Framework

In accordance with Securities and Exchange Commission's Notification No./SEC/CMRCD/2006-158/Admin/02-08 dated February 20, 2006 the Directors are pleased to conform the following:

- The financial statements together with the notes thereof have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the results of its operations cash flow and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- The systems of internal controls are sound in and have been effectively implemented and monitored effectively.
- There are no significant doubts about the Company's ability to continue as a going concern.
- The significant deviations from last year in operating results of the company have been highlighted in the report and reasons thereof have been explained.
- The key operating and financial data for the last five years are annexed.

Corporate Governance Compliance Report

Marico Bangladesh Limited adheres to good Corporate Governance principles, as described on pages 20 to 27.

DIRECTORS' REPORT

The Company has also complied with all the requirements of Corporate Governance as required by the Securities and Exchange Commission. Accordingly, Corporate Governance Compliance Report is shown in the SEC Compliance Status on page-21 of this report.

Results of Operations

Twelve-Months Performance

12 months ended September 30			
Tk in Cr, except per share amounts	2009	2010	Percent Change
Turnover	406	536	+32
Net earnings	47	68	+43
Net earnings per share	16.45	21.43	+30
Dividends per share	2.50	2.50	–
Operating cash flow	68	144	–
Return on assets	24%	22%	–
Return on equity	30%	31%	–

Six-Month Performance

Six months ended March 31			
Taka in Cr, except per share amounts	2010	2011	Percent Change
Turnover	208	285	+37
Net earnings	26	36	+37
Net earnings per share	8.31	11.34	+36
Dividends per share	-	2	–
Operating cash flow	25	-70	–
Return on assets	14%	17%	–
Return on equity	30%	29%	–

Marico achieved growth in turnover, earnings and earnings per share in the reporting period twelve months ended September 30, 2010 and extended six months period ended March 31, 2011. For twelve months and extended six months period turnovers were Tk. 406 crore, an increase of 32 percent and Tk. 285 crore, an increase of 37 percent; net profit after tax were Tk. 68 crore and Tk. 36 crore and earnings per share were Tk. 21.43 and Tk. 11.34 crore, increases of 30 percent and 36 percent, respectively, over the corresponding period in the previous year. Turnover growths remained at high levels accompanied by growing profits primarily being the benefits derived from consistent investment in brands.

Financial Position

Marico's total assets of Tk. 374 crore at 30 September 2010 were Tk. 120 crore or 47% higher than at 30 September 2009 and Tk. 461 at 31 March, 2011 crore were Tk. 173 crore or 60% higher than at March 31, 2010.

Dividend Distribution

Your company's distribution of dividend to members of the company during the reporting period comprised of the following;

Interim dividend of 25% on the paid up capital of Tk. 31.50 Crore.

Final dividend recommended for approval at the ensuing Annual General Meeting to be held on June 28, 2011 @20% on the paid-up capital Tk. 31.50 Crore.

The total dividend including the proposed dividend @20% would be Tk. 14.18 Crore.

Contribution to National Exchequer

During the reporting period, your company paid Tk. 145 Crore (appx.) to the National Exchequer in the form of Corporate Income Tax, Customs Duties, Supplementary Duties, VAT and others.

DIRECTORS' REPORT

Reserves

The total reserves of the company stood Tk. 188

Crore details of which are shown in the Statement of Finance Position as accumulated profit to the financial statements.

Events subsequent to the Balance Sheet

No events have occurred since the balance sheet date, which would require adjustment or disclosure in the financial statements.

Shareholder Information & Substantial Shareholders

The distribution of shareholding and market value of shares is given on page 27.

Appointment of Auditors

The auditors, Messer's Rahman Rahman Huq, Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting and being eligible under Section 210 of the Companies Act, 1994 read with Securities and Exchange Commission Order No. SEC /CFD-71/2001/ Admin/02/05 dated January 03, 2002, offer themselves for reappointment with proposed Audit Fees of Tk. 3,45,000/-.

Acknowledgement

The members of the Board of Directors would like to take this opportunity to express their heartfelt thanks to all stakeholders such as employees, customers, consumers, Banks and financial institutions, Regulatory bodies, Auditors, SEC, DSE, CSE, CDBL, ISSL, Business Associates and finally the shareholders for their immense support and contribution towards the success of the Company.

On Behalf of the Board of Directors

Harsh Mariwala

Chairman

Rohit Jaiswal

Managing Director

DIRECTORS' REPORT ANNEXURE-1

Directors' Responsibilities for Financial Statements

The directors of the company are responsible for the integrity and accuracy of the financial statements. The board believes that the financial statements for the twelve months ended on September 30, 2010 and extended six months ended on March 31, 2011 have been prepared in conformity with Bangladesh Accounting Standard (BAS), BFRS/IFRS, Companies Act, 1994, SEC guidelines, Stock Exchanges Listing Regulations appropriate in the circumstances. In preparing the financial statements, management with the consultation of the board makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed.

The Company's disclosure controls and procedures ensure that material information required to be disclosed is recorded, processed, summarized and communicated to management and reported within the required time periods. In meeting its responsibility for the reliability of the financial statements, management relies on a system of internal accounting control. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with the management's authorization and recorded properly to permit the preparation of financial statements in accordance with BAS/BFRS/IFRS. The design of this system recognizes that errors or irregularities may occur and that estimates and judgments are required to assess the relative cost and expected benefits of the controls.

Directors believe that the Company's internal accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. The Audit Committee of the Board of Directors, which is composed solely of independent directors, is responsible for overseeing the Company's financial reporting process.

The Audit Committee meets with management and sees the report of the Company's internal auditors periodically to review the work of each and to monitor the discharge by each of its responsibilities. The independent auditors are engaged to express an opinion on the Company's financial statements and on the Company's internal control over financial reporting. Their opinions are based on procedures that they believe to be sufficient to provide reasonable assurance that the financial statements contain no material errors and that the Company's internal controls are effective.

On behalf of the board

Rohit Jaiswal

Managing Director

DIRECTORS' REPORT ANNEXURE-2

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Financial Officer and Head of Internal Audit, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in Internal Control - Integrated Framework, issued by the Audit Committee.

Based on this evaluation, management has concluded that internal control over financial reporting was effective as of March 31, 2011. The Company's auditor, Rahman Rahman Huq, Chartered Accountants, statutory auditors enlisted with The Institute of Chartered Accountants of Bangladesh (ICAB), has issued an audit report on the financial statements.

Souvik B. Mazumdar
Chief Financial Officer

K.S. Balaji
Head of Internal Audit

AUDITORS' REPORT

To the Shareholders of Marico Bangladesh Limited

We have audited the accompanying financial statements of Marico Bangladesh Limited ("the Company") which comprise the statement of financial position as at 31 March 2011, and the related income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the eighteen months period then ended and a summary of significant accounting policies and other relevant explanatory notes thereon.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements prepared in accordance with the Bangladesh Accounting Standards (BASs) and the Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the financial position of Marico Bangladesh Limited as at 31 March 2011 and the results of its financial performance and its cash flows for the eighteen months period then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 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 purpose 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;
- c) the statement of financial position and income statement dealt with by the report are in agreement with the books of account;
- d) the expenditure incurred were for the purpose of the Company's business.

Rahman Rahman Huq

Auditor

Dhaka, 24 April 2011

BALANCE SHEET

	Note	31 March 2011 Taka	31 March 2010 Taka	30 September 2010 Taka	30 September 2009 Taka	31 March 2011 Rs. Crore	31 March 2010 Rs. Crore	30 September 2010 Rs. Crore	30 September 2009 Rs. Crore
Assets									
Property, plant and equipment	4	229,012,579	288,034,881	242,529,710	270,961,064	14.08	18.69	15.70	18.87
Assets under construction	5	–	–	–	65,000,000	–	–	–	4.53
Intangible assets	6	6,651,734	11,266,759	8,959,247	12,610,744	0.41	0.73	0.58	0.88
Deferred tax assets	7	42,664,437	2,196,993	29,959,740	609,231	2.62	0.14	1.94	0.04
Non-current assets		278,328,750	301,498,633	281,448,697	349,181,039	17.11	19.56	18.22	24.32
Inventories	8	1,180,798,733	709,912,844	347,755,606	634,534,352	72.59	46.05	22.51	44.20
Accrued interest	9	34,175,260	52,647,281	40,304,110	48,406,023	2.10	3.42	2.61	3.37
Investments	10	29,619,846	12,596,946	40,752,823	100,000,000	1.82	0.82	2.64	6.97
Advance income tax	11	315,292,151	133,567,146	202,932,329	86,021,442	19.38	8.66	13.14	5.99
Advances and deposits	12	238,238,535	34,735,757	68,071,366	41,474,311	14.65	2.25	4.41	2.89
Fixed deposits	13	2,270,000,000	1,565,318,522	2,652,015,300	1,037,340,522	139.55	101.55	171.69	72.26
Cash and cash equivalents	14	266,612,848	73,103,511	106,741,120	238,727,660	16.39	4.74	6.91	16.63
Current assets		4,334,737,373	2,581,882,007	3,458,572,654	2,186,504,310	266.48	167.49	223.90	152.31
Total assets		4,613,066,123	2,883,380,640	3,740,021,351	2,535,685,349	283.59	187.05	242.12	176.63
Equity and Liabilities									
Equity									
Share capital	15	315,000,000	315,000,000	315,000,000	315,000,000	19.36	19.36	20.39	21.94
Share premium		252,000,000	252,000,000	252,000,000	252,000,000	15.49	16.35	16.31	17.55
Reserves		17,022,900	–	28,155,877	–	1.05	–	1.82	–
Retained earnings		1,878,574,427	1,186,695,739	1,600,067,407	1,003,704,896	115.49	76.98	103.59	69.92
Total equity		2,462,597,327	1,753,695,739	2,195,223,284	1,570,704,896	151.39	113.77	142.12	109.41
Liabilities									
Provision for gratuity	16	8,896,857	8,088,052	8,088,052	7,112,927	0.55	0.52	0.52	0.50
Non-current liabilities		8,896,857	8,088,052	8,088,052	7,112,927	0.55	0.52	0.52	0.50
Short term finance	17	775,256,101	224,329,040	189,627,813	77,179,123	47.66	14.55	12.28	5.38
Liability for expenses	18	390,026,651	469,213,283	436,540,120	275,044,834	23.98	30.44	28.26	19.16
Interest payable		5,056,327	442,500	2,000,000	193,000	0.31	0.03	0.13	0.01
Provision for income tax	19	614,689,532	239,275,393	448,224,604	168,272,288	37.79	15.52	29.02	11.72
Trade creditors	20	225,082,968	99,932,428	328,179,028	341,116,260	13.84	6.48	21.25	23.76
Payable to holding company	21	123,087,996	66,421,582	97,089,004	70,682,949	7.57	4.31	6.29	4.92
Other liabilities	22	8,372,364	21,982,623	35,049,446	25,379,072	0.51	1.43	2.27	1.77
Current liabilities		2,141,571,939	1,121,596,849	1,536,710,015	957,867,526	131.65	72.76	99.48	66.72
Total liabilities		2,150,468,796	1,129,684,901	1,544,798,067	964,980,453	132.20	73.29	100.01	67.22
Total equity and liabilities		4,613,066,123	2,883,380,640	3,740,021,351	2,535,685,349	283.59	187.05	242.12	176.63

*The annexed notes 1 to 37 form an integral part of these financial statements.

Comparatives have been presented as advised by SEC through letter no. SEC/CFD/11:29/2009/794

Iqbal Chowdhury
Company Secretary

Vijay Subramaniam
Director

Rohit Jaiswal
Managing Director

As per our annexed report of same date

Dhaka, 24 April 2011

Rahman Rahman Huq
Auditor

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)

PROFIT AND LOSS ACCOUNT

	Note	for 12 months from		Extended 6 months from		Cumulative 18 months from	
		1 October 2009 to 30 September 2010	1 October 2008 to 30 September 2009	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2009 to 31 March 2011	1 October 2008 to 31 March 2010
		Taka	Taka	Taka	Taka	Taka	Taka
Revenue	23	5,358,337,069	4,056,700,694	2,845,675,249	2,079,933,077	8,204,012,318	6,136,633,771
Cost of sales	24	(3,756,588,381)	(2,979,011,189)	(2,086,305,867)	(1,433,687,970)	(5,842,894,248)	(4,412,699,159)
Gross profit		1,601,748,688	1,077,689,505	759,369,382	646,245,107	2,361,118,070	1,723,934,612
Distribution expenses	25	(553,681,868)	(278,070,754)	(202,304,061)	(267,439,762)	(755,985,929)	(545,510,516)
Administration expenses	26	(292,110,577)	(304,647,653)	(168,615,383)	(126,495,300)	(460,725,960)	(431,142,953)
Profit from operation		755,956,243	494,971,098	388,449,938	252,310,045	1,144,406,181	747,281,143
Other income	27	204,244,342	91,395,512	134,572,959	83,129,738	338,817,301	174,525,250
Finance costs	28	(33,910,330)	(6,869,004)	(12,005,647)	(3,707,660)	(45,915,977)	(10,576,664)
Profit before income tax		926,290,255	579,497,606	511,017,250	331,732,123	1,437,307,505	911,229,729
Income tax expense	29	(251,177,744)	(108,632,509)	(153,760,230)	(69,991,280)	(404,937,974)	(178,623,789)
Profit for the period		675,112,511	470,865,097	357,257,020	261,740,843	1,032,369,531	732,605,940
Earnings per share							
Basic earning per share	30	21.43	16.45	11.34	8.31	32.77	27.99

	Note	for 12 months from		Extended 6 months from		Cumulative 18 months form	
		1 October 2009 to 30 September 2010	1 October 2008 to 30 September 2009	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2009 to 31 March 2011	1 October 2008 to 31 March 2010
		Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Revenue	23	346.89	282.59	174.94	134.93	504.34	398.10
Cost of sales	24	(243.20)	(207.51)	(128.26)	(93.01)	(359.19)	(286.26)
Gross profit		103.70	75.07	46.68	41.92	145.15	111.84
Distribution expenses	25	(35.84)	(19.37)	(12.44)	(17.35)	(46.47)	(35.39)
Administration expenses	26	(18.91)	(21.22)	(10.37)	(8.21)	(28.32)	(27.97)
Profit from operation		48.94	34.48	23.88	16.37	70.35	48.48
Other income	27	13.22	6.37	8.27	5.39	20.83	11.32
Finance costs	28	(2.20)	(0.48)	(0.74)	(0.24)	(2.82)	(0.69)
Profit before income tax		59.97	40.37	31.41	21.52	88.36	59.11
Income tax expense	29	(16.26)	(7.57)	(9.45)	(4.54)	(24.89)	(11.59)
Profit for the period		43.71	32.80	21.96	16.98	63.47	47.53
Earnings per share							
Basic earnings per share	30	21.43	16.45	11.34	8.31	32.77	27.99

*The annexed notes 1 to 37 form an integral part of these financial statements.

Comparatives have been presented as advised by SEC through letter no. SEC/CFD/11:29/2009/794

Iqbal Chowdhury
Company Secretary

Vijay Subramaniam
Director

Rohit Jaiswal
Managing Director

As per our annexed report of same date

Dhaka, 24 April 2011

Rahman Rahman Huq
Auditor

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)

CASH FLOWS STATEMENT

	for 12 months from		Extended 6 months from		Cumulative 18 months from		for 12 months from		Extended 6 months from		Cumulative 18 months from	
	1 October 2009 to 30 September 2010	1 October 2008 to 30 September 2009	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2009 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2008 to 30 September 2009	1 October 2009 to 31 March 2010	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2009 to 31 March 2011	1 October 2008 to 31 March 2010
	Taka	Taka	Taka	Taka	Taka	Taka	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Cash flows from operating activities												
Collection from customers	5,358,337,069	4,080,838,737	2,845,675,249	2,079,933,077	8,204,012,318	6,160,771,814	346.89	284.27	174.94	134.93	504.34	399.66
Payment to suppliers and operating expenses	(4,006,387,372)	(3,283,774,413)	(3,553,694,330)	(1,858,687,950)	(7,560,081,701)	(5,233,735,459)	(259.37)	(228.74)	(218.46)	(120.58)	(464.76)	(339.52)
Interest paid	(32,103,330)	(6,676,004)	(8,949,320)	(3,458,160)	(41,052,650)	(10,134,164)	(2.08)	(0.47)	(0.55)	(0.22)	(2.52)	(0.66)
Interest received	212,346,255	51,841,611	140,701,810	78,888,480	353,048,064	130,730,092	13.75	3.61	8.65	5.12	21.70	8.48
Income tax paid	(117,486,824)	(160,190,630)	(112,359,821)	(48,121,641)	(229,846,645)	(208,312,271)	(7.61)	(11.16)	(6.91)	(3.12)	(14.13)	(13.51)
Net cash from/ (used in) operating activities	1,414,705,798	682,039,300	(688,626,412)	248,553,806	726,079,386	839,320,012	91.59	47.51	(42.33)	16.12	44.64	54.45
Cash flows from investing activities												
Acquisition of fixed assets	(53,119,304)	(71,906,162)	(40,395,448)	(42,002,926)	(93,514,752)	(22,635,994)	(3.44)	(5.01)	(2.48)	(2.72)	(5.75)	(1.47)
Encashment of zero coupon bond	100,000,000	-	-	-	100,000,000	-	6.47	-	-	-	6.15	-
Encashment of fixed deposits	4,099,664,372	895,833,850	2,034,030,500	1,482,022,000	6,133,694,872	2,377,855,850	265.41	62.40	125.04	96.14	377.07	154.26
Investment in equity share	-	-	-	(12,596,946)	-	(12,596,946)	-	-	-	(0.82)	-	(0.82)
Dividend received	-	-	1,617,175	-	1,617,175	-	-	-	0.10	-	0.10	-
Investment in fixed deposits	(5,726,936,096)	(1,653,174,372)	(1,653,632,375)	(1,910,000,000)	(7,380,568,471)	(3,563,174,372)	(370.76)	(115.16)	(101.66)	(123.91)	(453.72)	(231.15)
Net cash from / (used in) investing activities	(1,580,391,028)	(829,246,684)	341,619,852	(482,577,872)	(1,238,771,176)	(1,220,551,462)	(102.31)	(57.76)	21.00	(31.31)	(76.15)	(79.18)
Cash flows from financing activities												
Share capital	-	31,500,000	-	-	-	31,500,000	-	2.19	-	-	-	2.04
Share Premium	-	252,000,000	-	-	-	252,000,000	-	17.55	-	-	-	16.35
Dividend paid	(78,750,000)	(31,500,000)	(78,750,000)	(78,750,000)	(157,500,000)	(110,250,000)	(5.10)	(2.19)	(4.84)	(5.11)	(9.68)	(7.15)
Short term finance	112,448,690	(30,766,667)	585,628,288	147,149,917	698,076,978	116,383,250	7.28	(2.14)	36.00	9.55	42.91	7.55
Net cash from financing activities	33,698,690	221,233,333	506,878,288	68,399,917	540,576,978	289,633,250	2.18	15.41	31.16	4.44	33.23	18.79
Net increase in cash and cash equivalents	(131,986,540)	74,025,949	159,871,728	(165,624,149)	27,885,188	(91,598,200)	(8.54)	5.16	9.83	(10.74)	1.71	(5.94)
Opening cash and cash equivalents	238,727,660	164,701,711	106,741,120	238,727,660	238,727,660	164,701,711	15.45	11.47	6.56	15.49	14.68	10.68
Closing cash and cash equivalents	106,741,120	238,727,660	266,612,848	73,103,511	266,612,848	73,103,511	6.91	16.63	16.39	4.74	16.39	4.74

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)
Comparatives have been presented as advised by SEC through letter no. SEC/CFD/11-29/2009/794

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 September, 2010

	Share capital Taka	Share premium Taka	Fair value reserve Taka	Proposed dividend Taka	Retained earnings Taka	Total equity Taka	Share capital Rs. Crore	Share premium Rs. Crore	Fair value reserve Rs. Crore	Proposed dividend Rs. Crore	Retained earnings Rs. Crore	Total equity Rs. Crore
12 months ended on 30 September 2010												
Balance at 1 October 2008	90,000,000	-	-	31,500,000	726,339,799	847,839,799	6.27	-	-	2.19	50.60	59.06
Transferred to Share capital	225,000,000	-	-	-	(193,500,000)	31,500,000	15.67	-	-	-	(13.48)	2.19
October 2008 to 30 September 2010	-	-	-	-	470,865,097	470,865,097	-	-	-	-	32.80	32.80
Dividend paid	-	-	-	(31,500,000)	-	(31,500,000)	-	-	-	(2.19)	-	(2.19)
Share premium	-	252,000,000	-	-	-	252,000,000	-	17.55	-	-	-	17.55
Balance at 30 September 2009	315,000,000	252,000,000	-	-	1,003,704,896	1,570,705,114	21.94	17.55	-	-	69.92	109.41
October 2009 to 30 September 2011	-	-	-	-	675,112,511	675,112,511	-	-	-	-	43.71	43.71
Dividend paid	-	-	-	-	(78,750,000)	(78,750,000)	-	-	-	-	(5.10)	(5.10)
Comprehensive income	-	-	28,155,877	-	-	28,155,877	-	-	1.82	-	-	1.82
Balance at 30 September 2010	315,000,000	252,000,000	28,155,877	-	1,600,067,407	2,195,223,503	20.39	16.31	1.82	-	103.59	142.12
Extended 6 months from 1 October 2010 to 31 March 2011												
Balance at 30 September 2009	315,000,000	252,000,000	-	-	1,003,704,896	1,570,704,896	20.43	16.35	-	-	65.11	101.90
October 2009 to 31 March 2010	-	-	-	-	261,740,843	261,740,843	-	-	-	-	16.98	16.98
Dividend paid	-	-	-	-	(78,750,000)	(78,750,000)	-	-	-	-	(5.11)	(5.11)
Balance at 31 March 2010	315,000,000	252,000,000	-	-	1,186,695,739	1,753,695,739	20.43	16.35	-	-	76.98	113.77
Balance at 30 September 2010	315,000,000	252,000,000	28,155,877	-	1,600,067,407	2,195,223,284	19.36	15.49	1.73	-	98.36	134.95
October 2010 to 31 March 2011	-	-	-	-	357,257,020	357,257,020	-	-	-	-	21.96	21.96
Dividend paid	-	-	-	-	(78,750,000)	(78,750,000)	-	-	-	-	(4.84)	(4.84)
Comprehensive income	-	-	(11,132,977)	-	-	(11,132,977)	-	-	(0.68)	-	-	(0.68)
Balance at 31 March 2011	315,000,000	252,000,000	17,022,900	-	1,878,574,427	2,462,597,327	19.36	15.49	1.05	-	115.49	151.39
Cumulative 18 months from 1 October 2009 to 31 March 2011												
Balance at 1 October 2008	90,000,000	-	-	31,500,000	726,339,799	847,839,799	5.84	-	-	2.04	47.12	55.00
Transferred to Share capital	225,000,000	-	-	-	(193,500,000)	31,500,000	14.60	-	-	-	(12.55)	2.04
Net profit for the period from 1 October 2008 to 31 March 2010	-	-	-	-	732,605,940	732,605,940	-	-	-	-	47.53	47.53
Dividend paid	-	-	-	(31,500,000)	(78,750,000)	(110,250,000)	-	-	-	(2.04)	(5.11)	(7.15)
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	252,000,000	-	-	-	252,000,000	-	16.35	-	-	-	16.35
Balance at 31 March 2010	315,000,000	252,000,000	-	-	1,186,695,739	1,753,695,966	20.43	16.35	-	-	76.98	113.77
Balance at 30 September 2009	315,000,000	252,000,000	-	-	1,003,704,896	1,570,705,114	19.36	15.49	-	-	61.70	96.56
Net profit for the period from 1 October 2009 to 31 March 2011	-	-	-	-	1,032,369,531	1,032,369,531	-	-	-	-	63.47	63.47
Dividend paid	-	-	-	-	(157,500,000)	(157,500,000)	-	-	-	-	(9.68)	(9.68)
Comprehensive income	-	-	17,022,900	-	-	17,022,900	-	-	1.05	-	-	1.05
Balance at 31 March 2011	315,000,000	252,000,000	17,022,900	-	1,878,574,427	2,462,597,546	19.36	15.49	1.05	-	115.49	151.39

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)
Comparatives have been presented as advised by SEC through letter no. SEC/CFD/11:29/2009/794

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

1 Reporting entity

Marico Bangladesh Limited (MBL) was incorporated on 6 September 1999 in Bangladesh under the Companies Act 1994 as a private company limited by shares. Subsequently, the Company converted to "Public Company" limited by shares vide special resolution passed in the extra ordinary general meeting held on 21 September 2008. The Company is a subsidiary of Marico Limited, India and also a listed entity enlisted with Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited.

1.1 Registered Office

The address of the Company's registered office is House # 01, Road # 01, Sector # 01, 4th floor, Uttara Model Town, Dhaka-1230.

1.2 Authorized Capital

The authorized capital of the Company is Tk 400,000,000 divided into 40,000,000 number of ordinary shares of Tk 10.00 each. The Company was registered with an authorized capital of Tk 10,000,000 divided into 1,000,000 number of ordinary shares of Tk 10.00 each. Subsequently, the authorized capital was increased to Tk 300,000,000 divided into 30,000,000 number of ordinary shares of Tk 10.00 each vide special resolution passed in the extra ordinary general meeting held on 18 September 2008. The Company further increased its authorized capital to Tk 400,000,000 divided into 40,000,000 number of ordinary shares of Tk 10.00 each vide special resolution passed in the extra ordinary general meeting held on 31 December 2008.

1.3 Nature of Business Activities

The Company is engaged in manufacturing and marketing of branded Fast Moving Consumer Goods under the brand name of Parachute, Beliphool, Aromatic Gold, Camellia, Saffola Gold etc in Bangladesh. The Company sells its products with its own managed depot from Chittagong, Bogra and Jessore. The Company started its commercial operations from 30 January 2000.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs). BFRSs are comprised of:

- i) Bangladesh Financial Reporting Standards (BFRSs)
- ii) Bangladesh Accounting Standards (BASs)
- iii) Interpretations of BFRSs and BASs.

The financial statements were authorized for issue by the Board of Directors in the 67th Board meeting held on 24 April 2011.

2.2 Regulatory compliance

The Company is required to comply with amongst others, the following laws and regulations:

- i) The Companies Act 1994
- ii) The Securities and Exchange Ordinance 1969
- iii) The Securities and Exchange Rules 1987
- iv) The Income Tax Ordinance 1984
- v) The Income Tax Rules 1984
- vi) The Value Added Tax (VAT) Act 1991
- vii) The Value Added Tax (VAT) Rules 1991

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2.3 Basis of measurement

The financial statements have been prepared under the historical cost convention except the following material item:

Available for sale financial assets are stated at fair value through comprehensive income except as mentioned in note 10.2.

2.4 Functional and presentation currency

These financial statements are presented in Bangladesh Taka (BDT), which is the Company's functional currency. All financial information presented in BDT/Taka has been rounded off to the nearest integer.

2.5 Reporting period

Pursuant to the requirements of the letter No. SEC/CFD/11:29/2009/794 dated 14 September 2010 issued by the Securities and Exchange Commission, Bangladesh, the company presented the financial statements for the periods covered:

- i) Twelve months from 1 October 2009 to 30 September 2010;
- ii) Extended six months from 1 October 2010 to 31 March 2011; and
- iii) Eighteen months from 1 October 2009 to 31 March 2011.

The Company has changed its reporting period to keep alignment with its parent company.

2.6 Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.7 Going concern

The Company has adequate resources to continue in operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

2.8 Changes in accounting policies for financial instruments

As adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) from 1 January 2010 the company has applied Bangladesh Accounting Standard 32 *Financial Instruments: Presentation* and Bangladesh Accounting Standard 39: *Financial Instruments: Recognition and Measurement* in accounting for financial instruments and Bangladesh Financial Reporting Standard 7: *Financial Instruments: Disclosures* for presentation of Financial Instruments. The changes in accounting policies have been applied retrospectively and had no material impact on earnings per share for comprehensive income.

3. Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Foreign currency

Transactions in foreign currencies are translated to the functional currency (BDT) at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are re-translated into Bangladesh Taka at the exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, stated at historical cost, are translated into Bangladesh Taka at the exchange rate ruling at the date of transaction. Foreign exchange differences arising on translation are recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

3.2 Property, Plant and Equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the assets.

Parts of an item of property, plant and equipment having different useful lives, are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the property amount of the property, plant and equipment and is recognized with other income/ general and administrative expenses in profit or loss.

ii) Subsequent cost

The cost of replacing component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the company and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on straight line method over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. Considering the estimated useful lives of the assets the following rates have been applied in current and comparative years:

Assets	Depreciation rate
Plant and machinery	10-33%
Factory equipment	10-33%
Moulds	20-50%
Factory building	10-20%
Laboratory equipment	20-33%
Office equipment	20-50%
Vehicles	20-33%
Computers	20-33%
Furniture	20-33%
Fixtures	20-33%
Air conditioner, refrigerator	20-33%

Depreciation methods, useful lives and residual value are reviewed annually and adjusted if appropriate.

Depreciation is charged from the month of acquisition of property, plant and equipment but no depreciation is charged in the month of disposal.

3.3 Intangible assets

Intangible assets have finite useful lives and are stated at cost less accumulated amortization using straight line method. Intangible assets are recognized in accordance with BAS-38. Intangible assets include cost of acquisition of the intellectual property, copyright and other costs incidental to such capital expenditure.

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For the year ended 30 September 2010

Amortisation

Amortisation is recognized in the income statement on straight line basis over the estimated useful lives of intangible assets from the date they are available for use. Assets are amortised over a period of six and a half years commencing from 1 May 2005 for 'Camellia' and seven and a half years for 'Aromatic' commencing from 1 October 2005.

3.4 Impairment

3.4.1 Non-derivative financial assets

A financial assets not carried at fair value through profit or loss account is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired include restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of the borrowers or issuers in the Company, economic conditions that correlate with defaults or disappearance of an active market for a security. In addition, for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investment securities

The Company considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective levels. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in comprehensive income.

3.4.2 Non financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

same time. An impairment loss is recognised if the carrying amount of an asset or its related cash generated unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU. For the purpose of impairment testing, assets that can not be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.6 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are

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For the year ended 30 September 2010

reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Revenue

(i) Goods sold

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net off return and allowance, trade discount, volume rebates exclusive of VAT. Revenue is recognized when the risk and reward of the ownership is transferred to the buyer, recovery of the consideration is probable, the associated cost and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods sold. Transfer of risk and rewards occurs for the sale of goods when the product is delivered along with dispatch documents and invoiced to customers.

(ii) Services

Revenue from services rendered recognised in the profit and loss on completion of the services performed. The Company is involved in providing various skin care treatments under the name "Kaya Skin Clinic". There are two skin care clinics in Bangladesh.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate thereof can be made.

3.10 Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. When the benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit and loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit and loss.

The Company recognises all expenses and all actuarial gains and losses arising from defined plan in profit and loss.

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For the year ended 30 September 2010

(ii) Short term employee benefits

Short term employee benefit obligations are measured based on undiscounted basis and are expensed as the related service is rendered. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.11 Contingencies

Contingencies arising from claims, litigations, assessments, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

3.12 Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.13 Events after the Reporting Period

Events after statement of financial position date that provide additional information about the company's positions at the statement of financial position date are reflected in the financial statements. Events after the statement of financial position date that are non-adjusting events are disclosed in the notes when material.

3.14 Financial instruments

Non-derivative financial instruments comprise investments in shares and Fixed Deposit Receipts (FDR), cash and cash equivalents, advance from customers, trade creditors, share capital, and interest-bearing borrowings.

Investment in shares

Investment in share are non-derivative financial assets that are designated as available for sale. Initially they are recognised at cost and subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale are recognised in comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Investment in Fixed Deposit Receipts (FDR)

The company has the positive intent and ability to hold FDR to maturity, and as such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Investment in Zero Coupon Bond

The company has the positive intent and ability to hold zero coupon bond to maturity, and as such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of ordinary share are recognised as a deduction from equity, net of any tax effects.

Trade creditors

Trade creditors are recognised at fair value.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Advances from customers

Advances from customers are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

3.15 Financial risk management

The company management has overall responsibility for the establishment and oversight of the Company's risk management framework. The company's management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limit. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The Company has exposure for measuring and managing risks from its use of financial instruments which are as follows:

i) *Credit risk*

Credit risk is risk of financial loss if a customer or counterpart to a financial instrument fails to meet its contractual obligations which arises principally from the Company's receivables from customers.

ii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

iii) *Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk includes the followings:

Currency risk:

Transaction risk

Transaction risk arises from risk of adverse exchange rate movements occurring in the course of normal international transaction.

Translation risk

Translation risk is the risk that the Company will make exchange losses when the accounting results are translated into the home currency.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

Economic risk

Economic risk refers to the effect of exchange rate movements on the international competitiveness of the Company.

Interest rate risk:

Interest rate risk arises from movement in interest rates. The Company needs to manage interest rate risk so as to be able to repay debts as they fall due and to minimise the risks surrounding interest payments and receipts.

4. Property, plant and equipment

4.1 At 31 March 2011

Particulars	Cost				Accumulated depreciation			Written down value		
	As at 1 April 2010	Addition during the year	Disposal during the year	As at 31 March 2010	As at 1 April 2010	Charged for the period	Adjustment for the period	As at 31 March 2011	As at 31 March 2011	As at 30 March 2010
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Plant and machinery	292,849,806	26,486,230	(100,000)	319,236,036	139,691,570	87,466,483	(100,000)	227,058,053	92,177,983	153,158,236
Freehold land	36,394,486	–	–	36,394,486	–	–	–	–	36,394,486	36,394,486
Vehicles	20,865,690	8,510,870	(2,931,712)	26,444,848	8,548,051	4,618,357	(1,857,156)	11,309,252	15,135,596	12,317,639
Factory equipment	4,184,066	1,234,455	–	5,418,521	2,223,191	777,199	–	3,000,390	2,418,131	1,960,875
Moulds	12,902,537	357,407	–	13,259,944	6,217,413	2,714,378	–	8,931,791	4,328,153	6,685,124
Factory building	4,669,572	–	–	4,669,572	1,894,407	267,876	–	2,162,283	2,507,289	2,775,165
Office building	56,550,264	–	–	56,550,264	7,953,770	5,655,026	–	13,608,796	42,941,468	48,596,494
Laboratory equipment	548,000	727,822	–	1,275,822	543,625	92,241	–	635,866	639,956	4,375
Office equipments	9,902,964	2,626,760	(66,800)	12,462,924	2,157,980	2,276,819	(66,795)	4,368,004	8,094,920	7,744,984
Computers	4,330,025	1,060,185	(257,000)	5,133,210	1,921,993	1,218,870	(256,974)	2,883,889	2,249,321	2,408,032
Furniture and fixtures	19,571,579	6,838,785	(109,790)	26,300,574	4,997,689	4,420,226	(103,503)	9,314,412	16,986,162	14,573,890
A/C, Refrigerator, water coolers	2,363,564	4,746,181	(32,950)	7,076,795	947,983	1,022,648	(32,950)	1,937,681	5,139,114	1,415,581
At 31 March 2011	465,132,553	52,588,695	(3,498,252)	514,222,996	177,097,672	110,530,123	(2,417,378)	285,210,417	229,012,579	288,034,881

4.1 At 31 March 2011

Particulars	Cost				Accumulated depreciation			Written down value		
	As at 1 April 2010	Addition during the year	Disposal during the year	As at 31 March 2010	As at 1 April 2010	Charged for the period	Adjustment for the period	As at 31 March 2011	As at 31 March 2011	As at 30 March 2010
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Plant and machinery	18.00	1.63	(0.01)	19.63	8.59	5.38	(0.01)	13.96	5.67	9.42
Freehold land	2.24	–	–	2.24	–	–	–	–	2.24	2.24
Vehicles	1.28	0.52	(0.18)	1.63	0.53	0.28	(0.11)	0.70	0.93	0.76
Factory equipment	0.26	0.08	–	0.33	0.14	0.05	–	0.18	0.15	0.12
Moulds	0.79	0.02	–	0.82	0.38	0.17	–	0.55	0.27	0.41
Factory building	0.29	–	–	0.29	0.12	0.02	–	0.13	0.15	0.17
Office building	3.48	–	–	3.48	0.49	0.35	–	0.84	2.64	2.99
Laboratory equipment	0.03	0.04	–	0.08	0.03	0.01	–	0.04	0.04	0.00
Office equipments	0.61	0.16	(0.00)	0.77	0.13	0.14	(0.00)	0.27	0.50	0.48
Computers	0.27	0.07	(0.02)	0.32	0.12	0.07	(0.02)	0.18	0.14	0.15
Furniture and fixtures	1.20	0.42	(0.01)	1.62	0.31	0.27	(0.01)	0.57	1.04	0.90
A/C, Refrigerator, water coolers	0.15	0.29	(0.00)	0.44	0.06	0.06	(0.00)	0.12	0.32	0.09
At 31 March 2011	28.59	3.23	(0.22)	31.61	10.89	6.79	(0.15)	17.53	14.08	17.71

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4.2 At 31 March 2010

Particulars	Cost				Accumulated depreciation			Written down value		
	As at 1 April 2009	Addition during the year	Disposal during the year	As at 31 March 2010	As at 1 April 2009	Charged for the period	Adjustment for the period	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Plant and machinery	203,828,849	93,220,177	(4,199,221)	292,849,805	49,332,606	94,429,856	(4,070,892)	139,691,570	153,158,236	154,496,242
Freehold land	36,394,486	-	-	36,394,486	-	-	-	-	36,394,486	36,394,486
Vehicles	11,220,374	12,621,623	(2,976,307)	20,865,690	8,193,037	3,330,839	(2,975,824)	8,548,052	12,317,638	3,027,337
Factory equipment	4,263,545	2,179,455	(2,258,934)	4,184,066	3,668,001	808,209	(2,253,019)	2,223,191	1,960,875	595,543
Moulds	10,268,949	5,691,734	(3,058,147)	12,902,537	6,300,008	2,897,386	(2,979,981)	6,217,413	6,685,124	3,968,941
Factory building	4,743,030	-	(73,458)	4,669,572	1,612,536	355,329	(73,458)	1,894,407	2,775,165	3,130,494
Office building	47,482,972	9,067,292	-	56,550,264	2,742,911	5,210,859	-	7,953,770	48,596,494	44,740,061
Laboratory equipment	738,100	-	(190,100)	548,000	731,625	2,100	(190,100)	543,625	4,375	6,475
Office equipments	4,121,658	7,532,982	(1,751,675)	9,902,965	2,901,473	907,302	(1,650,795)	2,157,980	7,744,985	1,220,185
Computers	4,859,059	1,495,300	(2,024,334)	4,330,025	2,905,445	988,074	(1,971,525)	1,921,993	2,408,032	1,953,614
Furniture and fixtures	15,428,585	6,801,297	(2,658,303)	19,571,579	4,599,766	2,971,081	(2,573,159)	4,997,689	14,573,890	10,828,819
A/C, Refrigerator, water coolers	1,979,558	855,006	(471,000)	2,363,564	1,032,171	386,376	(470,564)	947,983	1,415,581	947,387
At 31 March 2010	345,329,164	139,464,866	(19,661,477)	465,132,553	84,019,579	112,287,409	(19,209,316)	177,097,672	288,034,881	261,309,585

4.2 At 31 March 2010

Particulars	Cost				Accumulated depreciation			Written down value		
	As at 1 April 2009	Addition during the year	Disposal during the year	As at 31 March 2010	As at 1 April 2009	Charged for the period	Adjustment for the period	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Plant and machinery	13.22	6.05	(0.27)	19.00	3.20	6.13	(0.26)	9.06	9.94	10.02
Freehold land	2.36	-	-	2.36	-	-	-	-	2.36	2.36
Vehicles	0.73	0.82	(0.19)	1.35	0.53	0.22	(0.19)	0.55	0.80	0.20
Factory equipment	0.28	0.14	(0.15)	0.27	0.24	0.05	(0.15)	0.14	0.13	0.04
Moulds	0.67	0.37	(0.20)	0.84	0.41	0.19	(0.19)	0.40	0.43	0.26
Factory building	0.31	-	(0.00)	0.30	0.10	0.02	(0.00)	0.12	0.18	0.20
Office building	3.08	0.59	-	3.67	0.18	0.34	-	0.52	3.15	2.90
Laboratory equipment	0.05	-	(0.01)	0.04	0.05	0.00	(0.01)	0.04	0.00	0.00
Office equipments	0.27	0.49	(0.11)	0.64	0.19	0.06	(0.11)	0.14	0.50	0.08
Computers	0.32	0.10	(0.13)	0.28	0.19	0.06	(0.13)	0.12	0.16	0.13
Furniture and fixtures	1.00	0.44	(0.17)	1.27	0.30	0.19	(0.17)	0.32	0.95	0.70
A/C, Refrigerator, water coolers	0.13	0.06	(0.03)	0.15	0.07	0.03	(0.03)	0.06	0.09	0.06
At 31 March 2010	22.40	9.05	(1.28)	30.17	5.45	7.28	(1.25)	11.49	18.69	16.95

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4.3 At 30 September 2010

Particulars	Cost				Accumulated depreciation			Written down value		
	As at 1 October 2009	Addition during the year	Disposal during the year	As at 30 September 2010	As at 1 October 2009	Charged for the period	Adjustment for the period	As at 30 September 2010	As at 30 September 2010	As at 30 September 2009
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Plant and machinery*	213,773,441	85,691,031	–	299,464,472	59,039,521	126,596,633	–	185,636,154	113,828,318	154,733,920
Free hold land	36,394,486	–	–	36,394,486	–	–	–	–	36,394,486	36,394,486
Vehicles	13,837,095	9,774,845	–	23,611,940	6,621,322	4,143,810	–	10,765,132	12,846,808	7,215,773
Factory equipment	4,184,066	985,311	–	5,169,377	1,828,953	762,582	–	2,591,535	2,577,842	2,355,113
Moulds	12,902,536	–	–	12,902,536	4,505,246	3,090,393	–	7,595,639	5,306,897	8,397,290
Factory building	4,669,572	–	–	4,669,572	1,718,579	313,574	–	2,032,153	2,637,419	2,950,993
Office building	50,925,264	5,625,000	–	56,550,264	5,145,745	5,635,538	–	10,781,283	45,768,981	45,779,519
Laboratory equipment	548,000	–	–	548,000	542,575	2,100	–	544,675	3,325	5,425
Office equipments	2,767,932	7,151,732	–	9,919,664	2,061,391	1,055,457	–	3,116,848	6,802,816	706,541
Computers	2,979,525	1,652,665	–	4,632,190	1,427,803	1,072,387	–	2,500,190	2,132,000	1,551,722
Furniture and fixtures	13,639,377	6,251,987	–	19,891,364	3,533,775	3,418,522	–	6,952,297	12,939,067	10,105,602
A/C, Refrigerator, water coolers	1,508,556	986,508	–	2,495,064	743,876	459,437	–	1,203,313	1,291,751	764,680
At 30 September 2010	358,129,850	118,119,079	–	476,248,929	87,168,786	146,550,433	–	233,719,219	242,529,710	270,961,064

* Depreciation charged for the year on plant and machinery includes accelerated depreciation of Tk 65,000,000 for Mazoni Soap line which is expected to have no future use.

4.3 At 30 September 2010

Particulars	Cost				Accumulated depreciation			Written down value		
	As at 1 October 2009	Addition during the year	Disposal during the year	As at 30 September 2010	As at 1 October 2009	Charged for the period	Adjustment for the period	As at 30 September 2010	As at 30 September 2010	As at 30 September 2009
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Plant and machinery*	13.84	5.55	–	19.39	3.82	8.20	–	12.02	7.37	10.02
Free hold land	2.36	–	–	2.36	–	–	–	–	2.36	2.36
Vehicles	0.90	0.63	–	1.53	0.43	0.27	–	0.70	0.83	0.47
Factory equipment	0.27	0.06	–	0.33	0.12	0.05	–	0.17	0.17	0.15
Moulds	0.84	–	–	0.84	0.29	0.20	–	0.49	0.34	0.54
Factory building	0.30	–	–	0.30	0.11	0.02	–	0.13	0.17	0.19
Office building	3.30	0.36	–	3.66	0.33	0.36	–	0.70	2.96	2.96
Laboratory equipment	0.04	–	–	0.04	0.04	0.00	–	0.04	0.00	0.00
Office equipments	0.18	0.46	–	0.64	0.13	0.07	–	0.20	0.44	0.05
Computers	0.19	0.11	–	0.30	0.09	0.07	–	0.16	0.14	0.10
Furniture and fixtures	0.88	0.40	–	1.29	0.23	0.22	–	0.45	0.84	0.65
A/C, Refrigerator, water coolers	0.10	0.06	–	0.16	0.05	0.03	–	0.08	0.08	0.05
At 30 September 2010	23.18	7.65	–	30.83	5.64	9.49	–	15.13	15.70	17.54

* Depreciation charged for the year on plant and machinery includes accelerated depreciation of Tk 65,000,000 for Mazoni Soap line which is expected to have no future use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

4.4 At 30 September 2009

Particulars	Cost				Accumulated depreciation				Written down value	
	As at 1 October 2008	Addition during the year	Disposal during the year	As at 30 September 2009	As at 1 October 2008	Charged for the period	Adjustment for the period	As at 30 September 2009	As at 30 September 2009	As at 30 September 2008
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Plant and machinery	187,131,719	30,840,943	4,199,221	213,773,441	37,970,571	25,187,152	4,118,202	59,039,521	154,733,920	149,161,148
Free hold land	36,394,486	-	-	36,394,486	-	-	-	-	36,394,486	36,394,486
Vehicles	11,220,374	5,593,028	2,976,307	13,837,095	7,196,513	2,400,632	2,975,824	6,621,322	7,215,773	4,023,861
Factory equipment	4,050,199	2,392,801	2,258,934	4,184,066	3,406,550	675,422	2,253,019	1,828,953	2,355,113	643,649
Moulds	10,038,949	5,921,734	3,058,147	12,902,536	5,167,645	2,317,582	2,979,981	4,505,246	8,397,290	4,871,304
Factory building	4,743,030	-	73,458	4,669,572	1,429,363	362,674	73,458	1,718,579	2,950,993	3,313,667
Office building	31,116,725	19,808,539	-	50,925,264	777,918	4,367,827	-	5,145,745	45,779,519	30,338,807
Laboratory equipment	738,100	-	190,100	548,000	722,720	9,955	190,100	542,575	5,425	15,380
Office equipments	4,027,319	492,288	1,751,675	2,767,932	2,498,766	1,213,420	1,650,795	2,061,391	706,541	1,528,553
Computers	3,754,459	1,249,400	2,024,334	2,979,525	2,430,474	968,854	1,971,525	1,427,803	1,551,723	1,323,985
Furniture and fixtures	10,896,275	5,401,404	2,658,303	13,639,376	3,215,388	2,891,546	2,573,159	3,533,775	10,105,601	7,680,887
A/C, Refrigerator, water coolers	1,773,531	206,025	471,000	1,508,556	831,717	382,723	470,564	743,876	764,680	941,814
At 30 September 2009	305,885,166	71,906,162	19,661,478	358,129,850	65,647,625	40,777,786	19,256,626	87,168,786	270,961,064	240,237,541

4.4 At 30 September 2009

Particulars	Cost				Accumulated depreciation				Written down value	
	As at 1 October 2008	Addition during the year	Disposal during the year	As at 30 September 2009	As at 1 October 2008	Charged for the period	Adjustment for the period	As at 30 September 2009	As at 30 September 2009	As at 30 September 2008
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Plant and machinery	13.04	2.15	0.29	14.89	2.64	1.75	0.29	4.11	10.78	10.39
Free hold land	2.54	-	-	2.54	-	-	-	-	2.54	2.54
Vehicles	0.78	0.39	0.21	0.96	0.50	0.17	0.21	0.46	0.50	0.28
Factory equipment	0.28	0.17	0.16	0.29	0.24	0.05	0.16	0.13	0.16	0.04
Moulds	0.70	0.41	0.21	0.90	0.36	0.16	0.21	0.31	0.58	0.34
Factory building	0.33	-	0.01	0.33	0.10	0.03	0.01	0.12	0.21	0.23
Office building	2.17	1.38	-	3.55	0.05	0.30	-	0.36	3.19	2.11
Laboratory equipment	0.05	-	0.01	0.04	0.05	0.00	0.01	0.04	0.00	0.00
Office equipments	0.28	0.03	0.12	0.19	0.17	0.08	0.11	0.14	0.05	0.11
Computers	0.26	0.09	0.14	0.21	0.17	0.07	0.14	0.10	0.11	0.09
Furniture and fixtures	0.76	0.38	0.19	0.95	0.22	0.20	0.18	0.25	0.70	0.54
A/C, Refrigerator, water coolers	0.12	0.01	0.03	0.11	0.06	0.03	0.03	0.05	0.05	0.07
At 30 September 2009	21.31	5.01	1.37	24.95	4.57	2.84	1.34	6.07	18.87	16.73

4.5 Depreciation allocated to:

	For 12 months from		Extended 6 months from		Cumulative 18 months from	
	1 October 2009 to 30 September 2010	1 October 2008 to 30 September 2009	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2009 to 31 March 2011	1 October 2008 to 31 March 2010
	Taka	Taka	Taka	Taka	Taka	Taka
Manufacturing	131,212,703	29,021,291	43,945,594	82,929,610	175,158,297	111,950,901
Administration	15,337,730	11,756,495	9,966,985	6,999,499	25,304,715	18,755,994
	146,550,433	40,777,786	53,912,579	89,929,109	200,463,012	130,706,895

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

4.5 Depreciation allocated to:

	For 12 months from		Extended 6 months from		Cumulative 18 months form	
	1 October 2009 to 30 September 2010	1 October 2008 to 30 September 2009	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2009 to 31 March 2011	1 October 2008 to 31 March 2010
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Manufacturing	8.49	2.02	2.70	5.38	10.77	7.26
Administration	0.99	0.82	0.61	0.45	1.56	1.22
	9.49	2.84	3.31	5.83	12.32	8.48

5. Asset under construction

	At 31 March		At 30 September		At 31 March		At 30 September	
	2011 Taka	2010 Taka	2010 Taka	2009 Taka	2011 Rs. Crore	2010 Rs. Crore	2010 Rs. Crore	2009 Rs. Crore
Opening balance	-	65,000,000	65,000,000	65,000,000	-	4.22	4.21	4.53
Addition during the period	-	-	-	-	-	-	-	-
	-	65,000,000	65,000,000	65,000,000	-	4.22	4.21	4.53
Transferred to property, plant and equipment- plant and machinery	-	(65,000,000)	(65,000,000)	-	-	(4.22)	(4.21)	-
	-	-	-	65,000,000	-	-	-	4.53

6. Intangible assets

MBL through an agreement dated 25 April 2005 with Marks & Allys Limited, paid Taka 5,000,000 for acquiring the intellectual property right and copyright of "Camelia" and "Magnolia" soaps. Taka 15,000,000 had also been paid for acquiring the intellectual property right and copyright of "Aromatic" brand vide an agreement dated 7 October 2005 with Aromatic Cosmetic Limited.

Marks & Allys Limited:								
Intellectual property right	2,500,000	2,500,000	2,500,000	2,500,000	0.15	0.16	0.16	0.17
Copyright	2,500,000	2,500,000	2,500,000	2,500,000	0.15	0.16	0.16	0.17
	5,000,000	5,000,000	5,000,000	5,000,000	0.31	0.32	0.32	0.35
Aromatic Cosmetics Limited:								
Intellectual property right	7,500,000	7,500,000	7,500,000	7,500,000	0.46	0.49	0.49	0.52
Copyright	7,500,000	7,500,000	7,500,000	7,500,000	0.46	0.49	0.49	0.52
	15,000,000	15,000,000	15,000,000	15,000,000	0.92	0.97	0.97	1.04
Incidental to capital expenditure	3,075,125	3,075,125	3,075,125	3,075,125	0.19	0.20	0.20	0.21
Total cost	23,075,125	23,075,125	23,075,125	23,075,125	1.42	1.50	1.49	1.61
Accumulated amortization	(16,423,391)	(11,808,366)	(14,115,878)	(10,464,381)	(1.01)	(0.77)	(0.91)	(0.73)
Net value	6,651,734	11,266,759	8,959,247	12,610,744	0.41	0.73	0.58	0.88

7. Deferred tax assets

Deferred tax assets/(liabilities) are attributable to the following:

Deductible/ (taxable) temporary differences on:								
Property, plant and equipment	32,029,157	(57,684,162)	12,661,440	(66,693,152)	1.97	(3.74)	0.82	(4.65)
Provision for gratuity	8,896,857	8,088,052	8,088,052	7,112,927	0.55	0.52	0.52	6.50
Royalty payable	114,217,394	57,585,176	88,195,018	61,795,610	7.02	3.74	5.71	4.30
Net deductible temporary difference	155,143,408	7,989,066	108,944,510	2,215,385	9.54	0.52	7.05	0.15
Income tax rate	27.50%	27.50%	27.50%	27.50%	27.50%	27.50%	27.50%	27.50%
Deferred tax asset	42,664,437	2,196,993	29,959,740	609,231	2.62	0.14	1.94	0.04

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

7.1 Movement of deferred tax

Opening balance	609,231	(8,290,920)	609,231	(8,290,920)	0.04	(0.54)	0.04	(0.58)
Deferred tax income/ (expense) for the period (note 29)	42,055,207	10,487,913	29,350,509	8,900,151	2.59	0.68	1.90	0.62
Closing balance - deferred tax asset	42,664,437	2,196,993	29,959,740	609,231	2.62	0.14	1.94	0.04

8. Inventories

Raw materials	698,025,156	374,857,970	190,153,722	378,309,743	42.91	24.32	12.31	26.35
Packing materials	82,302,743	20,953,500	33,127,783	22,574,684	5.06	1.36	2.14	1.57
Finished goods	247,581,606	210,477,501	59,083,057	54,577,417	15.22	13.65	3.82	3.80
Goods in transit	152,889,228	103,623,873	65,391,044	179,072,508	9.40	6.72	4.23	12.47
	1,180,798,733	709,912,844	347,755,606	634,534,352	72.59	46.05	22.51	44.20

9. Accrued interest

	At 31 March		At 30 September		At 31 March		At 30 September	
	2011 Taka	2010 Taka	2010 Taka	2009 Taka	2011 Rs. Crore	2010 Rs. Crore	2010 Rs. Crore	2009 Rs. Crore
Interest on FDR	34,175,260	52,647,281	40,304,110	41,206,023	2.10	3.42	2.61	2.87
Other Interest	-	-	-	7,200,000	-	-	-	0.50
	34,175,260	52,647,281	40,304,110	48,406,023	2.10	3.42	2.61	3.37

10. Investments

Investment in zero coupon bonds (note 10.1)	-	-	-	100,000,000	-	-	-	6.97
Investment in equity share of Grameenphone Limited - at cost	12,596,946	12,596,946	12,596,946	-	0.77	0.82	0.82	-
Adjustment for change in fair value (note 10.2)	17,022,900	-	28,155,877	-	1.05	-	1.82	-
	29,619,846	12,596,946	40,752,823	100,000,000	1.82	0.82	2.64	6.97

10.1 Investment in zero coupon bonds

The company made investment in 2009 in "Zero Coupon Bond" with IDLC as per "Deed Trust" dated 29 June 2008 and 'Subscription Agreement' dated 23 September 2008. Ten Zero Coupon Bonds have been allotted in favor of the company with face value Tk 11,314,082 and issue price Tk 10,000,000 per bond. All zero coupon bonds were encashed during the year at maturity dates.

10.2 Investment in equity share of Grameenphone Limited

The Company made investment for acquisition of the following equity shares of Grameenphone Limited:

			Market value at				Market value at	
	Face value	Acquisition Costs	31 March 2011		Face value	Acquisition Costs	31 March 2011	
Number of shares	Taka	Taka	Taka	Taka	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
170,229 equity shares	1,702,290	12,596,946	29,619,846	40,752,823	0.10	0.77	1.82	2.51

These investments were measured at costs upto 31 March 2010 considering the significant uncertainty of high quoted market price and volatility of stock market. On 30 September 2010 and onward the company measured these investments at fair value based on quoted market price and any gain or loss thereon were accounted for though comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

11. Advance income tax

Opening Balance	86,021,442	47,758,202	86,021,442	47,758,202	5.29	3.10	5.57	3.33
Addition During the period	229,270,709	207,736,335	116,910,887	160,190,631	14.09	13.48	7.57	11.16
Adjustment during the period	–	121,927,391	–	121,927,391	–	7.91	–	8.49
	315,292,151	133,567,146	202,932,329	86,021,442	19.38	8.66	13.14	5.99

12. Advances and deposits

Advances:								
Ethical Drugs Limited*	–	–	–	195,879	–	–	–	0.01
Loans to employees	2,849,082	2,749,817	3,133,901	3,668,999	0.18	0.18	0.2	0.26
Advance for services	160,513,581	12,646,304	58,598,747	24,815,475	9.87	0.82	3.79	1.73
	163,362,663	15,396,121	61,732,648	28,680,353	10.04	1.00	4.00	2.00
Deposits:-								
VAT current account	73,898,710	18,303,873	4,525,977	11,566,839	4.54	1.19	0.29	0.81
Supplementary duty	977,162	1,035,763	1,812,741	1,227,119	0.06	0.07	0.12	0.09
	74,875,872	19,339,636	6,338,718	12,793,958	4.60	1.25	0.41	0.89
	238,238,535	34,735,757	68,071,366	41,474,311	14.65	2.25	4.41	2.89

* Ethical Drugs Limited is a contract manufacturer of Marico Bangladesh Limited.

13. Fixed deposits

	At 31 March		At 30 September		At 31 March		At 30 September	
	2011 Taka	2010 Taka	2010 Taka	2009 Taka	2011 Rs. Crore	2010 Rs. Crore	2010 Rs. Crore	2009 Rs. Crore
Fixed deposits	2,270,000,000	1,565,318,522	2,652,015,300	1,037,340,522	139.55	101.55	171.69	72.26

All fixed deposits are held with different banks and financial institutions for a short-term period ranging from 1 month to 12 months with the fixed interest rates of 9.75%-13%.

14. Cash and cash equivalents

Cash on hand	3,390,411	1,084,713	1,152,752	1,777,483	0.21	0.07	0.07	0.12
Cash at banks and financial institution:								
Citibank N.A.	226,792,286	32,285,839	58,285,003	201,354,196	13.94	2.09	3.77	14.03
Standard Chartered Bank	27,982,825	417,195	9,948,909	11,398,846	1.72	0.03	0.64	0.79
Commercial Bank of Ceylon	1,271,048	1,284,111	1,272,623	1,284,111	0.08	0.08	0.08	0.09
HSBC	4,947,856	37,518,742	35,574,890	10,712,024	0.30	2.43	2.30	0.75
Dutch Bangla Bank Limited	1,423,233	498,737	506,943	–	0.09	0.03	0.03	–
IDLC Finance Limited	805,189	14,174	–	12,201,000	0.05	0.00	–	0.85
	263,222,437	72,018,798	105,588,368	236,950,177	16.18	4.67	6.84	16.51
	266,612,848	73,103,511	106,741,120	238,727,660	16.39	4.74	6.91	16.63

15 Share capital

Authorised								
40,000,000 ordinary shares of Tk 10 each	400,000,000	400,000,000	400,000,000	400,000,000	24.59	25.95	25.90	27.86
Issued, subscribed and paid up								
Issued for cash	41,500,000	41,500,000	41,500,000	41,500,000	2.55	2.69	2.69	2.89
Issued for consideration other than cash	273,500,000	273,500,000	273,500,000	273,500,000	16.81	17.74	17.71	19.05
	315,000,000	315,000,000	315,000,000	315,000,000	19.36	20.43	20.39	21.94

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

15.1 Percentage of shareholdings

	Percentage of shareholdings	Taka	Percentage of shareholdings	Rs. (Cr)
Marico Limited, India	90%	283,500,000	90%	17.43
Other shareholders	10%	31,500,000	10%	1.94
	100%	315,000,000	100%	19.36

15.2 Classification of shareholders by holding

Holdings	Number of holders	No of shares	Total holding (%)
Less than 500 shares	3,122	221,250	0.70%
500 to 5,000 shares	265	394,850	1.25%
5,001 to 10,000 shares	24	187,250	0.59%
10,001 to 20,000 shares	24	338,550	1.07%
20,001 to 30,000 shares	7	166,350	0.53%
30,001 to 40,000 shares	4	139,150	0.44%
40,001 to 50,000 shares	1	45,350	0.14%
50,001 to 100,000 shares	7	483,600	1.54%
100,001 to 1,000,000 shares	1	124,100	0.39%
Over 1,000,000 shares	2	29,399,550	93.33%
	3,457	31,500,000	100%

16 Provision for gratuity

	At 31 March 2011	
	Taka	Rs. (Crore)
Recognised in the statement of financial position	8,896,857	0.55
Additional provision required	3,056,143	0.19
Present value of the obligation according to actuarial report (note 16.1)	11,953,000	0.73

The Company makes contributions to a non-contributory defined benefit plans that provide pension for employees upon retirement. The plan entitles a retired employee to receive an annual payment equal to 1X Basic salary for each year of the services that the employee provided.

16.1 Movement in the present value of the defined obligation

	At 31 March 2011	At 31 March 2011
	Taka	Rs. (Crore)
Defined benefit obligation at beginning of the period	8,897,000	0.55
Current service cost	2,875,000	0.18
Interest cost	783,000	0.05
Actuarial (gains)/losses	(205,000)	(0.01)
Benefits paid	(397,000)	(0.02)
Defined benefit obligation at 31 March 2011	11,953,000	0.73

Actuarial assumptions

Principal actuarial assumptions at the reporting date:

At 31 March 2011

Discount rate (net of tax)	9.00%
Future salary increases	10.00%
Future inflation	N/A
Future pension increases	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

The discount rate should be based upon the yields available on high quality corporate bonds at the accounting date with a term that matches that of the liabilities. Due to lack of deep discount corporate bond market in Bangladesh, discount rate has been chosen with reference to yield on corresponding Govt. Securities.

Sensitivity of liabilities to salary rate assumptions:		
Present value of defined obligations at 12.0% salary escalation rate	14,325,000	0.88
Present value of defined obligations at 14.0% salary escalation rate	17,419,000	1.07

17 Short term finance

	At 31 March		At 30 September		At 31 March		At 30 September	
	2011 Taka	2010 Taka	2010 Taka	2009 Taka	2011 Rs. (Cr)	2010 Rs. (Cr)	2010 Rs. (Cr)	2009 Rs. (Cr)
Short term loan:								
Citibank N.A	319,274,019	60,910,613	107,530,294	8,312,990	20	3.15	6.96	0.58
HSBC	357,466,882	163,418,427	82,097,519	68,866,133	22	10.6	5.31	4.80
Standard Chartered Bank	98,515,200	–	–	–	6	–	–	–
	775,256,101	224,329,040	189,627,813	77,179,123	48	14.55	12.28	5.38

17.1 Citibank N.A.**a) Limit**

Total aggregate limit of short term loan and bank overdraft is Tk 1,552.5 million. Short term loan is taken whenever required.

b) Nature of security (Short term loan and bank overdraft)

Demand promissory note and letter of continuity for Tk 1,552.5 million.

c) Rate of interest

Rate of interest has been varied from 9% to 10% depending on the money market and inter relationship.

17.2 HSBC**a) Limit**

Total aggregate limit of short term loan and bank overdraft is Tk 695 million. Short term loan is taken whenever required.

b) Nature of security (Short term loan and bank overdraft)

Demand promissory note for Tk 700 million and lender's first charge over the borrower's (MBL) stocks, book debts and receivables up to the aggregate value of Tk 700 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

c) Rate of interest

Rate of interest has been varied from 10% to 11% depending on the money market and inter relationship.

18. Liability for expenses

	At 31 March		At 30 September		At 31 March		At 30 September	
	2011 Taka	2010 Taka	2010 Taka	2009 Taka	2011 Rs. Crore	2010 Rs. Crore	2010 Rs. Crore	2009 Rs. Crore
Business promotion expenses	163,490,269	277,430,647	174,432,738	138,846,108	10.05	18.00	11.29	9.67
Advertisement expenses	100,871,139	89,644,071	101,023,137	84,508,477	6.20	5.82	6.54	5.89
Audit fees	766,250	250,000	250,000	200,000	0.05	0.02	0.02	0.01
Leave encashment	10,253,706	8,892,093	9,674,203	8,892,093	0.63	0.58	0.63	0.62
Creditors for supplies	74,924,074	70,878,710	131,561,645	18,889,155	4.61	4.60	8.52	1.32
Other expenses	39,721,213	22,117,762	19,598,398	23,709,001	2.44	1.43	1.27	1.65
	390,026,651	469,213,283	436,540,120	275,044,834	23.98	30.44	28.26	19.16

19. Provision for income tax

Opening balance	168,272,288	172,667,019	168,272,288	172,667,019	10.34	11.20	10.89	12.03
Provision during the period	446,993,181	189,111,702	280,528,253	117,532,660	27.48	12.27	18.16	8.19
	615,265,469	361,778,721	448,800,541	290,199,679	37.82	23.47	29.05	20.22
Reversal of previous period provision	575,937	575,937	575,937	–	0.04	0.04	0.04	–
Adjustment for completed assessment	–	121,927,391	–	121,927,391	–	7.91	–	8.49
	614,689,532	239,275,393	448,224,604	168,272,288	37.79	15.52	29.02	11.72

20. Trade creditors

Marico Limited, India	63,597,164	29,339,843	198,815,659	248,506,650	3.91	1.90	12.87	17.31
Other Creditor	24,553,477	–	–	14,616,858	1.51	–	–	1.02
Import duty and related charges	136,932,327	70,592,585	129,363,369	77,992,752	8.42	4.58	8.37	5.43
	225,082,968	99,932,428	328,179,028	341,116,260	13.84	6.48	21.25	23.76

21. Payable to holding company

Royalty	114,194,010	57,527,596	88,195,018	61,788,963	7.02	3.73	5.71	4.30
Bank guarantee commission	8,893,986	8,893,986	8,893,986	8,893,986	0.55	0.58	0.58	0.62
	123,087,996	66,421,582	97,089,004	70,682,949	7.57	4.31	6.29	4.92

22. Other liabilities

Advance from customers	3,388,513	20,559,849	31,828,337	21,109,845	0.21	1.33	2.06	1.47
Tax and VAT deducted from vendors' bills	4,983,851	1,422,774	3,221,109	4,269,227	0.31	0.09	0.21	0.30
	8,372,364	21,982,623	35,049,446	25,379,072	0.51	1.43	2.27	1.77

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

23. Revenue

	for 12 months from		Extended 6 months from		Cumulative 18 months from		for 12 months from		Extended 6 months from		Cumulative 18 months from	
	1 October 2009 to 30 September 2010	Taka	1 October 2010 to 31 March 2011	Taka	1 October 2009 to 31 March 2011	Taka	1 October 2009 to 30 September 2010	Rs. Crore	1 October 2010 to 31 March 2011	Rs. Crore	1 October 2009 to 31 March 2011	Rs. Crore
Products												
Parachute coconut oil	4,998,255,200	3,821,246,607	2,599,899,201	1,937,271,000	7,598,154,401	5,758,517,607	323.58	266.18	159.83	125.68	467.10	373.57
Beli	74,712,937	35,423,399	62,856,869	37,658,618	137,569,805	73,082,017	4.84	2.47	3.86	2.44	8.46	4.74
Soap	149,227,231	176,226,995	57,059,926	67,603,894	206,287,157	243,830,889	9.66	12.28	3.51	4.39	12.68	15.82
Parachute extension	12,889,005	1,437,385	26,368,701	3,823,248	39,257,706	5,260,633	0.83	0.10	1.62	0.25	2.41	0.34
Parachute advanced	12,713,572	19,883,432	10,756,014	2,275,879	23,469,586	22,159,311	0.82	1.39	0.66	0.15	1.44	1.44
Hair code	73,725,796	1,794,079	55,259,821	27,741,648	128,985,618	29,535,727	4.77	0.12	3.40	1.80	7.93	1.92
Saffola	25,685,219	688,797	18,602,313	1,697,848	44,287,531	2,386,645	1.66	0.05	1.14	0.11	2.72	0.15
Kaya	11,128,110	-	14,872,404	1,860,943	26,000,514	1,860,943	0.72	-	0.91	0.12	1.60	0.12
	5,358,337,069	4,056,700,694	2,845,675,249	2,079,933,077	8,204,012,318	6,136,633,771	346.89	282.59	174.94	134.93	504.34	398.10

24 Cost of sales

Opening stock of finished goods	54,577,417	48,861,534	59,083,057	54,577,417	54,577,417	48,861,534	3.53	3.40	3.63	3.54	3.36	3.17
Cost of goods manufactured (note 24.1)	3,761,094,021	2,984,727,072	2,274,804,416	1,569,588,054	6,035,898,437	4,574,315,126	243.49	207.91	139.84	103.12	371.06	296.75
	3,815,671,438	3,033,588,606	2,333,887,473	1,644,165,471	6,090,475,854	4,623,176,660	247.02	211.32	143.48	106.66	374.41	299.92
Closing stock of finished goods	59,083,057	54,577,417	247,581,606	210,477,501	247,581,606	210,477,501	3.82	3.80	15.22	13.65	15.22	13.65
	3,756,588,381	2,979,011,189	2,086,305,867	1,433,687,970	5,842,894,248	4,412,699,159	243.20	207.51	128.26	93.01	359.19	286.26

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

24.1 Cost of goods manufactured

Materials consumed:												
Opening stock of raw and packing materials	400,884,427	127,012,473	223,281,505	400,884,427	400,884,427	127,012,473	25.95	8.85	13.73	26.01	24.64	8.24
Purchases during the year	3,425,579,877	3,202,404,713	2,769,911,773	1,489,104,680	6,195,491,650	4,691,509,393	221.77	223.08	170.28	96.60	380.87	304.35
Closing stock of raw and packing materials	223,281,505	400,884,427	780,327,899	395,811,470	780,327,899	395,811,470	14.46	27.93	47.97	25.68	47.97	25.68
	3,603,182,799	2,928,532,759	2,212,865,379	1,494,177,637	5,816,048,178	4,422,710,396	233.27	204.00	136.04	96.93	357.54	286.91
Factory overhead												
Salary and wages	12,163,298	9,187,650	7,363,190	5,744,671	19,526,488	14,932,321	0.79	0.64	0.45	0.37	1.20	0.97
Power expenses	3,491,829	2,672,415	2,142,336	1,795,479	5,634,165	4,467,894	0.23	0.19	0.13	0.12	0.35	0.29
Factory rent	2,748,534	1,417,244	1,911,456	1,311,085	4,659,990	2,728,329	0.18	0.10	0.12	0.09	0.29	0.18
Loading charges	84,493	915,795	83,080	73,333	167,573	989,128	0.01	0.06	0.01	0.00	0.01	0.06
Repairs and maintenance of plant and machinery	2,402,499	2,514,992	2,159,681	1,651,860	4,562,180	4,166,852	0.16	0.18	0.13	0.11	0.28	0.27
Repairs and maintenance of factory building	2,224,774	789,208	850,972	247,940	3,075,746	1,037,148	0.14	0.05	0.05	0.02	0.19	0.07
Depreciation	131,212,703	29,021,291	43,945,594	82,929,610	175,158,297	111,950,901	8.49	2.02	2.70	5.38	10.77	7.26
Other expenses	3,583,092	9,675,718	3,482,728	1,656,439	7,065,820	11,332,157	0.23	0.67	0.21	0.11	0.43	0.74
	157,911,222	56,194,313	61,939,037	95,410,417	219,850,259	151,604,730	10.22	3.91	3.81	6.19	13.52	9.83
	3,761,094,021	2,984,727,072	2,274,804,416	1,589,588,054	6,035,898,437	4,574,315,126	243.49	207.91	139.84	103.12	371.06	296.75

25 Distribution expenses

Business promotion expenses	17,140,964	10,051,185	19,576,643	4,235,297	36,717,607	14,286,482	1.11	0.70	1.20	0.27	2.26	0.93
Advertisement	477,394,813	236,248,113	155,936,911	230,590,283	633,331,724	466,838,396	30.91	16.46	9.59	14.96	38.93	30.28
Market research expenses	10,817,934	4,029,568	—	10,817,934	10,817,934	14,847,502	0.70	0.28	—	0.70	0.67	0.96
Redistribution expenses	7,710,527	2,508,177	5,108,708	3,571,411	12,819,235	6,079,588	0.50	0.17	0.31	0.23	0.79	0.39
Freight- outward	40,617,630	25,233,711	21,681,799	18,224,837	62,299,429	43,458,548	2.63	1.76	1.33	1.18	3.83	2.82
	553,681,868	278,070,754	202,304,061	267,439,762	755,985,929	545,510,516	35.84	19.37	12.44	17.35	46.47	35.39

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

26 Administration expenses

	for 12 months from		Extended 6 months from		Cumulative 18 months form		for 12 months from		Extended 6 months from		Cumulative 18 months form	
	1 October 2009 to 30 September 2010	1 October 2008 to 30 September 2009	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2009 to 31 March 2011	1 October 2008 to 31 March 2010	1 October 2009 to 30 September 2010	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2010 to 31 March 2011	1 October 2009 to 31 March 2010	1 October 2008 to 31 March 2010
	Taka	Taka	Taka	Taka	Taka	Taka	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Salaries & allowances	107,687,218	74,568,323	60,594,616	46,018,766	16,281,835	120,587,089	-	-	-	-	-	-
Gratuity	975,124	4,877,470	2,130,770	975,124	3,105,894	5,852,594	0.06	0.34	0.13	0.06	0.19	0.38
Rent	8,497,589	1,534,225	6,078,524	2,951,018	14,576,113	4,485,243	0.55	0.11	0.37	0.19	0.90	0.29
Professional charges	9,444,639	5,900,047	7,741,139	3,356,312	17,185,778	9,256,359	0.61	0.41	0.48	0.22	1.06	0.60
Security charges	1,465,693	708,753	759,801	708,547	2,225,494	1,417,300	0.09	0.05	0.05	0.05	0.14	0.09
Legal charges	4,626,534	959,181	206,799	442,435	4,833,333	1,401,616	0.30	0.07	0.01	0.03	0.30	0.09
Director's remuneration	14,372,669	19,455,730	3,578,737	7,150,466	17,951,405	26,606,196	0.93	1.36	0.22	0.46	1.10	1.73
Director's fees	262,500	-	157,500	52,500	420,000	52,500	0.02	-	0.01	0.00	0.03	0.00
Repair and maintenance	11,615,965	5,210,170	5,317,545	4,814,571	16,933,510	10,024,741	0.75	0.36	0.33	0.31	1.04	0.65
Communication expenses	9,456,330	6,567,166	4,329,069	4,422,923	13,785,399	10,990,089	0.61	0.46	0.27	0.29	0.85	0.71
Subscription to trade association	80,000	50,000	-	-	80,000	50,000	0.01	0.00	-	-	0.00	0.00
Entertainment	3,176,046	1,295,896	1,809,911	1,022,230	4,985,957	2,318,126	0.21	0.09	0.11	0.07	0.31	0.15
Printing and stationery	3,980,165	1,618,326	1,507,126	2,165,850	5,487,291	3,784,176	0.26	0.11	0.09	0.14	0.34	0.25
Vehicle running expenses	9,071,011	7,837,602	6,892,472	4,175,734	15,963,483	12,013,336	0.59	0.55	0.42	0.27	0.98	0.78
Travelling and conveyance	24,228,524	15,062,804	13,063,864	12,738,525	37,292,388	27,801,329	1.57	1.05	0.80	0.83	2.29	1.80
Audit fees	1,141,375	132,875	1,493,052	-	2,634,427	132,875	0.07	0.01	0.09	-	0.16	0.01
Recruitment expenses	1,755,163	264,462	875,310	1,467,602	2,630,473	1,732,064	0.11	0.02	0.05	0.10	0.16	0.11
Insurance premium	730,181	323,289	73,897	-	804,078	323,289	0.05	0.02	0.00	-	0.05	0.02
Books and periodicals	92,655	81,218	49,992	36,801	142,647	118,019	0.01	0.01	0.00	0.00	0.01	0.01
Deferred expenses written off	-	77,791,645	-	-	-	77,791,645	-	5.42	-	-	-	5.05
Bank charges	5,955,823	2,312,110	11,049,602	3,585,044	17,005,425	5,897,154	0.39	0.16	0.68	0.23	1.05	0.38
Staff welfare expenses	2,710,085	2,374,212	2,046,745	1,715,009	4,756,830	4,089,221	0.18	0.17	0.13	0.11	0.29	0.27
Conference and training expenses	-	453,772	51,898	-	51,898	453,772	-	0.03	0.00	-	0.00	0.03
Electricity and gas charges	1,272,645	1,479,545	482,650	438,786	1,755,295	1,918,331	0.08	0.10	0.03	0.03	0.11	0.12
Amortization of brand rights	3,651,498	2,687,970	2,307,513	1,343,985	5,959,011	4,031,955	0.24	0.19	0.14	0.09	0.37	0.26
Royalty*	49,982,552	38,212,466	25,998,992	19,372,710	75,981,544	57,585,176	3.24	2.66	1.60	1.26	4.67	3.74
Loss/(profit) on sale of asset	-	404,852	(19,126)	-	(19,126)	404,852	-	0.03	(0.00)	-	(0.00)	0.03
Depreciation	15,337,730	11,756,495	9,966,985	6,999,499	25,304,715	18,755,994	0.99	0.82	0.61	0.45	1.56	1.22
Public Issue expenses	540,863	20,727,049	70,000	540,863	610,863	21,267,912	0.04	1.44	0.00	0.04	0.04	1.38
	292,110,577	304,647,653	168,615,383	126,495,300	460,725,960	431,142,953	18.91	21.22	10.37	8.21	28.32	27.97

* It includes income tax deducted at sources in accordance with the ITO 1984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

27 Other income

Interest on fixed deposit	164,793,397	80,867,583	130,326,984	72,701,996	295,120,381	153,569,579	10,67	5,63	8,01	4,72	18,14	9,96
Dividend income	–	–	1,617,176	–	1,617,176	–	–	–	0,10	–	0,10	–
Interest on call deposit	30,738,027	10,510,265	1,331,903	2,431,448	32,069,930	12,941,713	1,99	0,73	0,08	0,16	1,97	0,84
Exchange gain	8,712,918	17,664	1,296,896	7,996,294	10,009,814	8,013,958	0,56	0,00	0,08	0,52	0,62	0,52
	204,244,342	91,395,512	134,572,959	83,129,738	338,817,301	174,525,250	13,22	6,37	8,27	5,39	20,83	11,32

28 Finance costs

Interest on term loan	33,910,330	6,869,004	12,005,647	3,707,660	45,915,977	10,576,664	2,20	0,48	0,74	0,24	2,82	0,69
	33,910,330	6,869,004	12,005,647	3,707,660	45,915,977	10,576,664	2,20	0,48	0,74	0,24	2,82	0,69

29 Income tax expense

Current tax expense	280,528,253	117,532,660	166,464,928	71,579,042	446,993,181	189,111,702	18,16	8,19	10,23	4,64	27,48	12,27
Deferred tax income	(29,350,509)	(8,900,151)	(12,704,698)	(1,587,762)	(42,055,207)	(10,487,913)	(1,90)	(0,62)	(0,78)	(0,10)	(2,59)	(0,68)
	251,177,744	108,632,509	153,760,230	69,991,280	404,937,974	178,623,789	16,26	7,57	9,45	4,54	24,89	11,59

30 Earnings per share

30.1 Basic Earnings Per Share

	for 12 months from		Extended 6 months from		Cumulative 18 months from		for 12 months from		Extended 6 months from		Cumulative 18 months from	
	1 October 2009 to 30 September 2010	Taka	1 October 2010 to 31 March 2011	Taka	1 October 2008 to 31 March 2010	Taka	1 October 2009 to 30 September 2010	Rs. Crore	1 October 2010 to 31 March 2011	Rs. Crore	1 October 2009 to 31 March 2011	Rs. Crore
The computation of EPS is given below:												
Earnings attributable to ordinary share holders (Net profit after tax)	675,112,511	470,865,097	357,257,020	261,740,843	1,032,369,531	732,605,940	43,71	32,80	21,96	16,98	63,47	47,53
Weighted average number of ordinary shares outstanding during the year	31,500,000	28,626,164	31,500,000	31,500,000	31,500,000	26,175,000	2,04	1,99	1,94	2,04	1,94	1,70
Earnings per share (EPS) in Taka	21.43	16.45	11.34	8.31	32.77	27.99	21.43	16.45	11.34	8.31	32.77	27.99

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

30.2 Diluted earnings per share

No diluted EPS was required to be calculated for the period since there was no scope for dilution of share during the period under review.

31 Related party transactions

Name of the related party	Relationship	Nature of transactions	Transactions from 1 October 2009 to 31 March 2011	Transactions from 1 October 2009 to 31 March 2011
			Taka	Rs. Crore
Marico Limited, India	Parent company	Purchase of raw materials	2,030,000,878	124.80
		Royalty	75,981,544	4.67
		Cash dividend	127,575,000	7.84
		Total	2,233,557,422	137.31

The Company has purchased raw materials from Marico Limited, India in normal course of business on arm's length transaction basis.

32 Capacity

Major product	Unit of measure	Budgeted capacity in 18 months	Actual production in 18 months	Percentage of capacity utilised	Remarks
PCNO	KL	30,000	25,503	85%	Excess capacity to meet future demand

33 Contingent Liabilities

	At 31 March 2011	
	US dollar	Taka
Outstanding L/Cs	6,549,324	480,196,428

Contingent liabilities include L/C amount for import of raw material which were not received till the reporting date.

34 Financial risk management**34.1 Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations which arises principally from the Company's investment securities.

The Company makes sales on advance basis i.e. it receives advance from customer prior to sale so there is no credit risk due to uncollectibility from the customers.

Exposure of financial assets		
Investments	29,619,846	1.82
Accrued interest	34,175,260	2.10
Fixed deposits	2,270,000,000	139.55
Cash and cash equivalents	266,612,848	16.39
Total financial assets	2,600,407,954	159.86

34.2 Liquidity risk

The Company has sufficient liquid fund and surplus investments over financial liabilities which is sufficient to meet its liabilities under both normal and stressed conditions, without incurring losses or risking Company's reputation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

The following are the contractual maturities of financial liabilities of the Company as at 31 March 2011:

	Carrying amount	Cash flows	Up to 1 year	Above 1 year to 5 years	Carrying amount	Cash flows	Up to 1 year	Above 1 year to 5 years
Exposure of liquidity risk	Taka	Taka	Taka	Taka	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Short term finance	775,256,101	775,256,101	775,256,101	–	47.66	47.66	47.66	–
Liability for expenses	390,026,651	390,026,651	390,026,651	–	23.98	23.98	23.98	–
Interest payable	5,056,327	5,056,327	5,056,327	–	0.31	0.31	0.31	–
Trade creditors	225,082,968	225,082,968	225,082,968	–	13.84	13.84	13.84	–
Payable to holding company	123,087,996	123,087,996	123,087,996	–	7.57	7.57	7.57	–
Other liabilities	8,372,364	8,372,364	8,372,364	–	0.51	0.51	0.51	–
Total financial liabilities	1,526,882,407	1,526,882,407	1,526,882,407	–	93.87	93.87	93.87	–
Surplus of financial assets over financial liabilities	1,073,525,547	–	–	–	66.00	–	–	–

34.3 Market risk

Market risk is the risk that includes changes in market price, such as foreign exchange rates, interest rates and equity prices that may affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The company's exposures to foreign currency risk at 31 March are as follows:

	US Dollar
Short term finance	10,667,365
Trade payables	867,392
	11,534,757

35 Value of import calculated on CIF Basis

	1 October 2009 to 31 March 2011	1 October 2009 to 31 March 2011
	Taka	Rs. Crore
Raw materials	2,261,794,809	139.04
Capital goods	4,493,272	0.28
	2,266,288,081	139.32

36 General

36.1 The number of employees engaged for the whole period or part thereof who received a total salary of Tk 36,000 p.a. and above was 104.

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

37 Events after the reporting period

An amount of Tk 134 million has been paid as cost of acquisition of 515.50 decimal land for setting up factory at Gazipur, Bangladesh.

The Board of Directors of Marico Bangladesh Limited has recommended 20% cash dividend i.e. Tk 2.00 per share for the eighteen months period ended on 31 March 2011 at the Board meeting held on 24 April 2011.

There are no other events identified after the statement of financial position date which might be material.

MBL INDUSTRIES LIMITED

Board of Directors

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

Debashish Neogi

Registered Office

House-1, Road-1, Sector-1,
Uttara, Dhaka – 1230, Bangladesh

Auditors

Rahman Rahman Huq

Chartered Accountants

Internal Auditors

Farhad Hussain & Co.

Chartered Accountants

Bankers

Citibank N.A.

Standard Chartered Bank

Legal Advisors

Mr. Khairul Alam Chowdhury

Barrister-at-law (Supreme Court),

Law Valley, Segunbagicha, Dhaka, Bangladesh

DIRECTORS' REPORT

To,

The Members

The Board of Directors is pleased to present the Annual Report together with audited accounts of your Company for the year ended September 30, 2010.

FINANCIAL RESULTS

Particulars	(Taka Crore)		(Rs. Crore)	
	2010	2009	2010	2009
Sales and Other Income	1.79	6.99	1.05	4.24
Profit before tax	(0.61)	(2.66)	(0.35)	(1.56)
Tax	(0.001)	0.002	(0.00)	0.001
Profit after Tax	(0.62)	(2.64)	(0.37)	(1.60)
Add : Surplus brought forward	3.12	5.76	1.84	3.49
Surplus carried forward	<u>2.50</u>	<u>3.12</u>	<u>1.47</u>	<u>1.89</u>

Note: The exchange rate used to convert Taka to Rs. is Rs. 0.588 / Taka (Rs.0.606 / Taka)

SALES TURNOVER & PROFITABILITY

During the year ended September 30, 2010 (FY10), your Company recorded a turnover of Taka 1.796 Crore on which it earned a profit before tax of Taka (0.60) Crore and a profit after tax of Taka (0.62) Crore.

DIVIDEND

No dividend is being proposed for this year.

DIRECTORS

The Board of Directors was same as previous period

AUDITORS

M/s. 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 organization.

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 17, 2011

Debashish Neogi
Director

Vijay Subramaniam
Director

AUDITORS' REPORT

To

The Board of Directors of MBL Industries Limited

We have audited the accompanying balance sheet of MBL Industries Limited (the "Company") as at 30 September 2009 and the related profit and loss account, statement of changes in equity and statement of cash flow and a summary of significant accounting policies and other explanatory notes for the year then ended. 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.

Scope

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). 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.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the state of the company's affairs as at 30 September 2009 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.

Without qualifying our opinion, we draw attention to Note 3-10 in the financial statements which indicates that the Company incurred a net loss of BDT 26,391,416 during the year ended 30 September 2009, the cash flows from operating activities is negative and loss of key management and assets without replacement. These conditions, along with other matters as set forth in Note 3-10, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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.

Place : Dhaka

Date : 23 December 2009

Auditor

BALANCE SHEET

As at September 30, 2010

	Notes	2010 Taka	2009 Taka	2010 Rs. Crore	2009 Rs. Crore
SOURCE OF FUNDS					
Shareholders equity :					
Share capital	4	1,000,000	1,000,000	0.06	0.07
Accumulated profit		24,998,799	31,153,363	1.62	2.17
Total		25,998,799	32,153,363	1.68	2.24
APPLICATION OF FUNDS					
Property, plant and equipments					
Cost		–	1,014,818	–	0.07
Less: Accumulated depreciation		–	(1,010,985)	–	(0.07)
		–	3,832	–	0.00
Deferred tax Assets		–	101,493	–	0.01
Current assets, loans and advances:					
Inventory of finished goods	5	–	11,084,529	–	0.77
Trade debtors	6	–	3,209,443	–	0.22
Income tax payable/(advance)	9	1,966,048	93,980	0.13	0.01
Accrued interest	7	734,041	2,649,918	0.05	0.18
Cash and cash equivalents	8	29,015,933	25,337,424	1.88	1.76
Total current assets		31,716,022	42,375,294	2.05	2.95
Current liabilities and provisions:					
Liability for expenses	10	623,324	3,232,467	0.04	0.23
Payable to holding company	11	3,609,981	3,609,981	0.23	0.25
Other liabilities	12	1,483,917	3,484,808	0.10	0.24
Total current liabilities		5,717,222	10,327,256	0.37	0.72
Net current assets		25,998,799	32,048,038	1.68	2.23
Total		25,998,799	32,153,363	1.68	2.24

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

As per our annexed report of same date.

Rahman Rahman Huq
Auditors

Debashish Neogi
Managing Director

Kunal Gupta
Director

Place : Dhaka
Date : 12 October 2010

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)

PROFIT AND LOSS ACCOUNT

Year ended September 30, 2010

	Notes	2010 Taka	2009 Taka	2010 Rs. Crore	2009 Rs. Crore
Turnover	13	17,847,669	69,871,269	1.16	4.87
Cost of sales	14	(15,187,906)	(44,921,533)	(0.98)	(3.13)
Gross profit		2,659,762	24,949,735	0.17	1.74
General and administrative expenses	15	294,347	(12,413,215)	0.02	(0.86)
Selling and distribution expenses	16	(11,069,158)	(43,377,720)	(0.72)	(3.02)
Net profit before interest expenses		(8,115,049)	(30,841,199)	(0.53)	(2.15)
Interest expense		–	(1,543,901)	0.00	(0.11)
Net profit / (loss) after interest expenses		(8,115,049)	(32,385,100)	(0.53)	(2.26)
Other income	17	2,061,978	5,792,191	0.13	0.40
Net profit before taxation		(6,053,071)	(26,592,909)	(0.39)	(1.85)
Tax expenses					
Current tax		–	–	0.00	0.00
Deferred tax income/(expenses)		(101,493)	201,493	(0.01)	0.01
Net profit after taxation		(6,154,564)	(26,391,416)	(0.40)	(1.84)
Profit brought forward		31,153,363	57,544,779	2.02	4.01
Net profit carried forward to the balance sheet		24,998,799	31,153,363	1.62	2.17

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

As per our annexed report of same date.

Rahman Rahman Huq

Auditors

Debashish Neogi

Managing Director

Kunal Gupta

Director

Place : Dhaka

Date : 12 October 2010

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)

CASH FLOW STATEMENT

Year ended September 30, 2010

Notes	2010	2009	2010	2009
	Taka	Taka	Rs. Crore	Rs. Crore
A) Cash flows from operating activities				
Net profit before tax	(6,053,071)	(26,592,909)	(0.39)	(1.85)
Add: Depreciation	1,278	965,699	0.00	0.07
Add: Loss on sale of fixed assets	2,555	0.00	–	
Provision for gratuity	–	(570,034)	–	(0.04)
Changes in working capital	–	–	–	–
Current liabilities increase/(decrease)				
Liability for expenses	(2,609,144)	(2,837,503)	(0.17)	(0.20)
Other liabilities	(2,000,891)	1,809,113	(0.13)	0.13
	<u>(4,610,035)</u>	<u>(1,028,389)</u>	<u>(0.30)</u>	<u>(0.07)</u>
Current assets (increase)/decrease			–	–
Inventory of finished goods	11,084,529	(5,204,931)	0.72	(0.36)
Trade debtors	3,209,443	(1,853,848)	0.21	(0.13)
Advances and deposits	–	1,508,701	–	0.11
Accrued interest	1,915,877	(543,548)	0.12	(0.04)
	<u>16,209,849</u>	<u>(6,093,626)</u>	<u>1.05</u>	<u>(0.42)</u>
Income tax paid	(1,872,068)	(1,353,724)	(0.12)	(0.09)
Net cash generated from operating activities	<u>3,678,508</u>	<u>(34,672,983)</u>	<u>0.24</u>	<u>(2.42)</u>
B) Cash flows from investing activities	–	–	–	–
Proceeds from sale of equipment	–	12,565,001	–	0.88
Net cash generated/(used) from investing activities	<u>–</u>	<u>12,565,001</u>	<u>–</u>	<u>0.88</u>
C) Cash flows from financing activities	–	–	–	–
Short term finance	–	(11,872)	–	(0.00)
Net cash generated from financing activities	<u>–</u>	<u>(11,872)</u>	<u>–</u>	<u>(0.00)</u>
D) Net increase in cash and cash equivalents (A+B+C)	3,678,508	(22,119,854)	0.24	(1.54)
E) Opening cash and cash equivalents	25,337,424	47,457,278	1.64	3.31
F) Closing cash and cash equivalents (D+E)	<u>29,015,932</u>	<u>25,337,424</u>	<u>1.88</u>	<u>1.76</u>

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended September 30, 2010

	Share capital Taka	Accumulated profit/(loss) Taka	Total Taka	Share capital Rs. Crore	Accumulated profit/(loss) Rs. Crore	Total Rs. Crore
Balance at 30 September 2008	1,000,000	57,544,779	58,544,779	0.06	3.73	3.79
Net profit/(loss) after tax for the year 2009	–	(26,391,416)	(26,391,416)	–	(1.71)	(1.71)
Balance at 30 September 2009	1,000,000	31,153,363	32,153,363	0.06	2.02	2.08
Net profit/(loss) after tax for the year 2010	–	(6,154,564)	(6,154,564)	–	(0.40)	(0.40)
Balance at 30 September 2010	1,000,000	24,998,799	25,998,799	0.06	1.62	1.68

Note: The exchange rate used to convert Taka to Rs. 0.615 / Taka (Rs. 0.697 / Taka)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 authorized capital of the company is Tk 10,000,000 (Rs. Crore 0.65) divided into 1,000,000 ordinary shares of Taka 10 each and paid up

1.1. Registered office

The address of the registered office of the company is at House no. 1, Road no. 1, Sector no. 1, Uttara Model Town, Dhaka-1230.

2. Nature of business

The principal activities of the company are import trading and local trading, marketing and selling of coconut oil and hair code.

3. Basis of preparation and significant accounting policies

3.1 Statement of compliance

These financial statements have been prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994 and other applicable laws and regulations.

3.2 Basis of measurement

The financial statements have been prepared on historical cost convention.

3.3 Functional and presentational currency

The financial statements are prepared in Bangladeshi Taka (Taka), which is the companies functional currency. The figures of financial statements have been rounded off to the nearest taka.

3.4 Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the distributors and are exclusive of VAT as per company policy and in line with BAS-18: Revenue.

3.5 Property, plant and equipments and depreciation

Recognition and measurement

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 was as follows:

Assets	Rate
Electrical machinery	20%
Office equipments	25%-50%
Computers	25%-50%

Depreciation is charged from the month of acquisition of property, plant and equipment but no depreciation is charged from the month of disposal.

3.6 Other regulatory compliance

The Company is also required to comply with the following major legal provisions in addition to the Companies Act 1994 and other applicable laws and regulations.

The Income Tax Ordinance 1984

The Income Tax Rules 1984

The Value Added Tax (VAT) Act 1991

The Value Added Tax (VAT) Rules 1991

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

3.7 Use of estimates and judgements

The preparation of financial statements in conformity with BASs/ BFRSs which requires management to make judgements, estimates and assumptions that affect the amount reported in the financial statements and the accompanying notes. The accounting estimates

- a) the assessment of recoverability of long-lived assets;
- b) the recognition and measurement of current and deferred income tax assets and liabilities (including the measurement of uncertain tax provision); and
- c) the valuation of inventories;

Actual results may differ from these estimates.

3.8 Deferred tax

The company has adopted deferred tax accounting policy as per Bangladesh Accounting Standards. Accordingly deferred tax asset/liability is accounted for all the temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be availed against which the deductible temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Inventories

Inventories are measured at lower of cost and net realizable value. Inventories consist of only finished goods.

Stock in transit represents the cost incurred up to the date of balance sheet for the items that were not received till to the date of the balance sheet. Inventory losses and abnormal losses are recognized as expenses.

3.10 Going concern assumption

The financial statements have been prepared on going concern basis. Net loss was Tk.26,391,416, the cash flows from operating activities was negative and also for the year all the employees resigned on 30 June 2009. The company disposed off most of its fixed assets during the year. All these events indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

To improve the situation, Marico Middle East FZE(MME), holding 100% shares of the company has confirmed that they will infuse required support in financial and technical terms to run the company as going concern for a foreseeable future. However, the management of the Company hopes that the Company will be able to generate a satisfactory level of positive cash flows in future and will continue to be in existence well beyond 30 September 2009.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and fixed deposits.

The net cash flow from operating activities is determined by adjusting profit (loss) for the year under indirect method as per BAS-7.

3.12 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate thereof can be made.

3.13 Reporting period

Financial statements of the company covered one year from 1 October 2009 to 30 September 2010 and is followed consistently.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

3.14 Events after the balance sheet date

Events after balance sheet date that provide additional information about the company's positions at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

4. Share capital

	2010 Taka	2009 Taka	2010 Rs. Crore	2009 Rs. Crore
Authorized:				
1,000,000 Ordinary shares of Tk 10 each	10,000,000	10,000,000	0.65	0.70
Paid up:				
100,000 Ordinary shares of Tk 10 each fully paid up in cash	1,000,000	1,000,000	0.06	0.07

At 30 September 2010, share holding position of the company was as follows:

	Number of shares	Value Taka	Value Rs. Crore
Marico Middle East FZE (MME)	99,996	999,960	0.01
Directors (as joint holders with MME)	4	40	0.00
	100,000	1,000,000	0.01

5. Inventory of finished goods

	2010 Taka	2009 Taka	2010 Rs. Crore	2009 Rs. Crore
Beli	-	889	-	0.00
Parachute	-	3,687,773	-	0.26
Hair code	-	3,166,368	-	0.22
Parachute extension	-	2,980,324	-	0.21
	-	9,835,354	-	0.69
Goods in transit	-	1,249,175	-	0.09
	-	11,084,529	-	0.77

6. Trade debtors

Receivable from other customers	-	3,209,443	-	0.22
	-	3,209,443	-	0.22

7. Accrued interest

Interest on fixed deposit	734,041	2,649,918	0.05	0.18
	734,041	2,649,918	734,041	0.18

8. Cash and cash equivalents

Cash on hand	-	280,264	-	0.02
Fixed deposit:				
IDLC	-	20,000,000	-	1.39
Bank Asia Ltd	20,000,000	-	1.29	-
Delta Brac Housing	5,000,000	-	0.32	-
	25,000,000	20,000,000	1.62	1.39
Cash at banks:				
Citibank, N.A. (SND Account)	3,305,397	4,362,196	0.21	0.30
Standard Chartered Bank (Call deposit account)	709,849	693,817	0.05	0.05
Commercial Bank of Ceylon	686	1,146	0.00	0.00
	29,015,933	25,337,424	1.88	1.76

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	2010 Taka	2009 Taka	2010 Rs. Crore	2009 Rs. Crore
9. Income tax payable/(advance)				
Opening balance	(93,980)	1,259,744	(0.01)	0.09
Add: Provision for current taxation	–	–	–	–
	<u>(93,980)</u>	<u>1,259,744</u>	<u>(0.01)</u>	<u>0.09</u>
Less: Advance tax paid	1,872,068	1,353,724	0.12	0.09
	<u>(1,966,048)</u>	<u>(93,980)</u>	<u>(0.13)</u>	<u>(0.01)</u>
10. Liability for expenses				
Audit fees	150,000	175,000	0.01	0.01
Creditors for imports	473,324	3,010,447	0.03	0.21
Salary payable	–	47,020	–	0.00
	<u>623,324</u>	<u>3,232,467</u>	<u>0.04</u>	<u>0.23</u>
11. Payable to holding company				
Bank guarantee commission	3,609,981	3,609,981	0.23	0.25
12. Other liabilities		–	–	
Provision for leave encashment	–	702,729	–	702,729
VAT and SD payable	1,463,917	2,768,485	0.09	2,768,485
Tax deducted from vendors' bills	20,000	13,594	0.00	13,594
	<u>1,483,917</u>	<u>3,484,808</u>	<u>0.10</u>	<u>3,484,808</u>
13. Turnover				
Product				
Parachute	3,068,172	11,500,933	0.20	0.80
Hair code	14,377,289	50,754,396	0.93	3.54
Parachute extension	402,208	7,615,940	0.03	0.53
	<u>17,847,669</u>	<u>69,871,269</u>	<u>1.16</u>	<u>4.87</u>
14. Cost of sales				
Product				
Parachute	3,688,662	7,743,670	0.24	0.54
Hair code	8,516,193	35,118,293	0.55	2.45
Parachute extension	2,983,052	2,059,570	0.19	0.14
	<u>15,187,906</u>	<u>44,921,533</u>	<u>0.98</u>	<u>3.13</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	2010	2009	2010	2009
	Taka	Taka	Rs. Crore	Rs. Crore
15. General and administrative expenses				
Salaries and allowances	(749,749)	9,690,200	(0.05)	0.68
Gratuity	–	(570,034)	–	(0.04)
Professional charges	209,000	515,600	0.01	0.04
Legal charges	–	31,430	–	0.00
Repairs and maintenance	–	30,455	–	0.00
Vehicles expenses	–	146,474	–	0.01
Communication expenses	14,000	2,235	0.00	0.00
Printing and stationery	–	17,478	–	0.00
Traveling and conveyance	–	1,265,509	–	0.09
Audit fees	131,750	81,750	0.01	0.01
Bank charges	71,903	191,224	0.00	0.01
Staff welfare expenses	–	34,000	–	0.00
Conference and training expenses	–	1,879	–	0.00
Insurance	24,917	9,316	0.00	0.00
Depreciation	1,278	965,698	0.00	0.07
Loss on sale of fixed assets	2,555	–	0.00	–
	(294,347)	12,413,215	(0.02)	0.86
16. Selling and distribution expenses				
Business promotion expenses	–	213,068	–	0.01
Advertisement	10,645,009	42,518,568	0.69	2.96
Market research expenses	424,149	646,084	0.03	0.05
	11,069,158	43,377,720	0.72	3.02
17. Other income				
Interest on savings account	238,874	617,214	0.02	0.04
Interest on fixed deposits	1,674,123	5,174,977	0.11	0.36
Exchange gain	148,981	–	0.01	–
	2,061,978	5,792,191	0.13	0.40
18. Number of employees				
<p>MBL Industries Limited has no employees since July 2009 (All employees resigned on 30 June 2009). The employees of Marico Bangladesh Limited provide support for continuing its operations. Preparation and presentation of the financial statements also was done by Marico employees.</p>				
19. General				
<p>Previous year's figures have been rearranged wherever considered necessary to conform to current year's presentation.</p>				

KAYA LIMITED

Board of Directors

Harsh Mariwala

Ravindra Mariwala

Ajay Pahwa

Registered Office

Rang Sharda, K. C. Marg

Bandra Reclamation, Bandra (W), Mumbai – 400 050

Auditors

M/s Price Waterhouse

Chartered Accountants

Internal Auditors

Aneja Associates, Chartered Accountants

Bankers

Citibank NA

HDFC Bank Limited

ICICI Bank Limited

Standard Chartered Bank

Website

www.kayaclinic.com

DIRECTORS' REPORT

To

The Members

Your Board of Directors ('Board') is pleased to present the Eighth Annual Report together with audited accounts of your Company for the year ended March 31, 2011.

FINANCIAL RESULTS - AN OVERVIEW

During the year under review, your Company reported a turnover of Rs. 108.02 Crores and an operating loss of Rs. 41.26 Crores.

	Year ended March 31,	
	2011 Rs. Crore	2010 Rs. Crore
Total Revenue	108.02	126.14
Profit / (Loss) Before Tax and Exceptional Items	(33.53)	(25.11)
Exceptional Items	(7.74)	-
Profit / (Loss) Before Tax	(41.27)	(25.11)
Profit / (Loss) Before Tax from Continuing Operations	(40.86)	(14.20)
Less : Provision for Tax for Current Period (Fringe Benefit Tax +Deferred Tax)	0.00	0.00
Profit / (Loss) after Tax from Continuing Operations	(40.86)	(14.20)
Profit / (Loss) Before Tax from Discontinuing Operations	(0.40)	(10.91)
Less: Provision for Tax for Current Period (Fringe Benefit Tax +Deferred Tax)	(0.00)	(0.00)
Profit / Loss after Tax from Discontinuing Operations	(0.40)	(10.91)
Total Profit / (Loss) after Tax for current period	(41.26)	(25.11)
Add: Profit / (Loss) Brought Forward	(30.79)	(5.68)
Profit / (Loss) carried forward	(72.05)	(30.79)

DISTRIBUTION TO SHAREHOLDERS

In view of losses, no dividend is being proposed for the year.

REVIEW OF OPERATIONS

The business of your company comprises offering skin care solutions to its customers. The service revenue of includes packaged services for which the consideration is collected upfront towards services to be availed by the customers over a period of time. These advances are non-refundable and hence are designed to constitute revenue at some point of time in the future. Pending the installation of requisite information technology to enable measuring of the actual utilization of services by customers against each package, your company had been recognizing revenue based on estimates for any given period insofar as packaged services are concerned. During the year, the company developed and deployed Point of Sale (POS) software to track the utilization of services by customers against these packages and has accordingly refined the said policy so as to strictly align the recognition of revenue with the services rendered. Accordingly, during the year under review, amounts of INR 31.32 crore (~USD 7 mio) collected during the period in respect of which services have been considered to be pending to be rendered as at the period end have been deferred for recognition upon rendering of services in the subsequent periods. The deferred collections are included under the head Current Liabilities. However these advances are non-refundable and hence are designed to constitute revenue at some point of time in the future. Had Kaya not made the said one time refinement of the accounting estimates, your company's total revenue would have been higher by INR 31.32 Crores and would have resulted in a year on year growth of 10%.

DIRECTORS' REPORT

Accounting standard require impairment testing on a clinic by clinic basis. The company has carried this out during the year under review which resulted in an impairment of Rs. 7.74 Crores (shown as Exceptional Item in the table above). Your company however remains confident about the potential of the Kaya business as a whole. An application of the impairment test to the business as a whole would yield a positive result as other clinics are performing well.

During the year under review, your company reviewed and revised the economic useful life of certain assets at its skin clinics and has depreciated these fixed assets over the balance revised economic useful life resulting in an additional charge of Rs. 3.09 Crores.

But for the aforesaid one time / exceptional adjustments, the company would have broken even during the year under review.

During FY11, the management of your Company has discontinued operations of six non-performing Kaya Skin Clinics. This action was taken in order to focus better on performing Skin clinics. Your Company currently has 81 Clinics operational across 26 cities in India and 16 in the Middle East in addition to 2 in Dhaka. The consumer base has grown beyond 6,00,000.

Your company's turnover comprises service revenue and product revenue. In FY11, the company clocked a service turnover of Rs. 81.39 Crores as against Rs. 106.07 Crores during FY10. The decrease is mainly on account of full year impact of service tax on the business and change of policy of revenue recognition (explained above). The sale of the skin care products of your Company increased to Rs. 23.74 Crores in FY11 from Rs. 19.61 Crores in FY10.

The management believes that the building blocks are in place for turning in a better operating and financial performance in future.

OTHER CORPORATE DEVELOPMENTS

Acquisition of Derma Rx

During FY 11, with effect from May 25, 2010, your Company has acquired the skin care business of the Singapore based Derma Rx Asia Pacific Pte Ltd (DRx AP). This acquisition provides Kaya access to a range of highly efficacious skin care products. These products are capable of being transported across geographies. Some of these products have already been introduced in India and are in the process of being introduced in the Middle East. Your Company believes that it will help in increasing the share of products to total revenue of the Company.

CONSERVATION OF ENERGY

Your Company's operations are not energy-intensive and as such at present no additional investments and proposals are contemplated for reduction of consumption of energy. However, your Company is conscious of the importance of conserving energy and continuous monitoring is done in each of the clinics to reduce any wastage.

RESEARCH & DEVELOPMENT (R & D)

During the year under review, your Company continued its efforts to launch new products and services. Certain new services viz., Aqua Radiance, Everyday Radiance, Juvederm Voluma & Pain free Laser were launched. The R&D team also developed Post peel Moisturizer.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company invests actively in training its in-clinic staff to gain expertise of the equipment imported to impart the various skin care services. Such training creates a learning curve, which helps the staff absorb any new techniques that may get introduced from time to time as and when a new service is introduced.

FOREIGN EXCHANGE EARNING AND OUTGO

Foreign exchange earning and outgo during the period is as mentioned in schedule "P".

PUBLIC DEPOSITS

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

DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES

Your Company had no employee of the category indicated under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time. Your Company has therefore no particulars to disclose under these rules.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act), the Directors confirm that:

1. in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
2. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2011 and the loss of your Company for the year ended March 31, 2011;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.

Further, your Directors also confirm that 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.

DIRECTORS

Dr. Ravi Mariwala, Director of the Company, retires by rotation as per Section 256 of the Companies Act, 1956 and being eligible offers himself for re-appointment.

AUDITORS

M/s. Price Waterhouse, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility for reappointment.

Aneja Associates, a Chartered Accountant Firm, has been associated with your Company as its internal auditor. They have been partnering your Company in the area of risk management and internal control systems. Your Company has re-appointed Aneja Associates as its internal auditor for the year 2010-11.

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 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 : May 2, 2011

Harsh Mariwala
Chairman

AUDITORS' REPORT

TO,

THE MEMBERS OF KAYA LIMITED

1. We have audited the attached Balance Sheet of Kaya Limited (the "Company") as at March 31, 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto (together referred as 'financial statements'), which we have signed under reference to this report. 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 the auditing standards generally accepted in India. 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.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Without qualifying our opinion, we draw attention to Note 9 of Schedule 'Q'. As stated therein, the Company had been incurring losses since inception and is having negative net-worth as on the date of financial statement. These conditions indicate the existence of material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern. However, the management has continued to prepare its accounts on a going concern basis having regard to its future business plan, savings resulting from restructuring of operations, continuous support from its holding company to meet its funding requirements and other reasons detailed in the said note.
5. Further to our comments in the Annexure referred to in paragraph 3 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement 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 written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of 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 together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, 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, 2011;
 - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

Vilas Y. Rane

Partner

Membership No.: F-33220

Place : Mumbai

Date : May 2, 2011

ANNEXURE TO AUDITOR'S REPORT

**Referred to in paragraph 3 of the Auditors' Report of even date to the members of
Kaya Limited on the financial statements for the year ended March 31, 2011**

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) The Company has not disposed off a substantial part of fixed assets during the year, and accordingly, going concern does not get affected.
2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has taken interest free unsecured loans from the Holding company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans aggregate to Rs. 1,852,107,593 and Rs. 1,129,233,363.
- (c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (d) The said loan has not become due for repayment as at the year end.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section, except for loans taken from the Holding company as referred in Paragraph 3 above. The transaction being in nature of interest free loan, question of commenting on comparison with prevailing market price at the relevant time does not arise.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund,

ANNEXURE TO AUDITOR'S REPORT

employees' state insurance, income tax, sales tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. As explained to us, the provisions of the investor education and protection fund, wealth tax and excise duty are not applicable to the Company.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, customs duty, service tax and cess which have not been deposited on account of any dispute as on March 31, 2011 except as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Finance Act 1994	Service tax	3,746,436	December 1, 2004 to March 31, 2006	Joint Commissioner–Service tax
Sales tax acts of various states	Sales tax and VAT	3,299,875	2004-2005 to 2008-2009	The appellate deputy commissioner / Commercial tax officer

10. The accumulated losses of the Company as at March 31, 2011 are more than fifty percent of its net worth. The Company has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
11. 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.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, we report that the Company, as at March 31, 2011, has used short term funds of Rs. 7,795,721 for long-term purposes, viz. for funding of losses.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Price Waterhouse**
Chartered Accountants
Firm Registration Number: 301112E

Vilas Y. Rane
Partner
Membership No.: F-33220
Place : Mumbai
Date : May 2, 2011

BALANCE SHEET

		As at March 31,	
		2011	2010
		Rs. Crore	Rs. Crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	A	14.50	14.50
Reserves and surplus	B	15.91	15.91
		30.41	30.41
LOAN FUND			
Unsecured loan	C	112.92	79.97
		143.34	110.38
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	D	111.79	110.48
Less : Depreciation, amortisation and impairment		63.17	43.33
Net block		48.63	67.15
Capital work-in-progress [including capital advances]		0.46	0.97
		49.08	68.12
INVESTMENTS	E	22.98	–
DEFERRED TAX ASSET (net)		–	–
(Refer Note 10(b) of Schedule Q)			
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	F	14.54	10.10
Sundry debtors	G	0.27	0.27
Cash and bank balances	H	1.13	1.50
Loans and advances	I	24.42	22.26
		40.35	34.14
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	J	38.31	16.97
Provisions	K	2.81	5.70
		41.13	22.67
NET CURRENT ASSETS / (LIABILITIES)		(0.78)	11.47
PROFIT AND LOSS ACCOUNT			
		72.05	30.79
		143.34	110.38
ADDITIONAL INFORMATION	P		
NOTES TO ACCOUNTS	Q		

As per our attached report of even date

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

VILAS Y. RANE

Partner

Membership No. : F-33220

Place : Mumbai

Date : May 2, 2011

For and on behalf of the Board of Directors

HARSH MARIWALA

Chairman

AJAY PAHWA

Director

Deepali Bhandarkar

Company Secretary

PROFIT AND LOSS ACCOUNT

	SCHEDULE	Year Ended March 31,	
		2011 Rs. Crore	2010 Rs. Crore
INCOME :			
Service income		81.39	106.07
Sale of products		23.74	19.61
Other income	L	2.89	0.47
		108.02	126.14
EXPENDITURE :			
Cost of materials	M	24.39	23.32
Operating and other expenses	N	99.19	110.73
Finance charges	O	1.71	1.97
Depreciation, amortisation and impairment	D	16.25	15.23
		141.54	151.25
PROFIT / (LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEMS		(33.52)	(25.11)
Exceptional Items - Provision for Impairment (Refer Note 8 of Schedule Q)		7.74	—
PROFIT / (LOSS) BEFORE TAXATION		(41.26)	(25.11)
PROFIT / (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS		(40.86)	(14.20)
Provision for taxation			
- Current Tax (Refer Note 10(a) of Schedule Q)		—	—
- Deferred tax (Refer Note 10(b) of Schedule Q)		—	—
- Fringe benefit tax		(0.00)	—
PROFIT / (LOSS) AFTER TAXATION FROM CONTINUING OPERATIONS		(40.86)	(14.20)
PROFIT / (LOSS) BEFORE TAXATION FROM DISCONTINUING OPERATIONS		(0.40)	(10.91)
(Refer Note 5 of Schedule Q)			
Provision for taxation			
- Current tax		—	—
- Deferred tax		—	—
PROFIT / (LOSS) AFTER TAXATION FROM DISCONTINUING OPERATIONS		(0.40)	(10.91)
PROFIT / (LOSS) AFTER TAX		(41.26)	(25.11)
Balance of (loss) brought forward as on April 1		(30.79)	(5.68)
PROFIT / (LOSS) CARRIED TO THE BALANCE SHEET		(72.05)	(30.79)
BASIC AND DILUTED EARNINGS PER SHARE		(28.46)	(17.32)
(Refer Note 13 of Schedule Q)			
ADDITIONAL INFORMATION			
NOTES TO ACCOUNTS			
	P		
	Q		

As per our attached report of even date

For **Price Waterhouse**
Chartered Accountants
Firm Registration Number: 301112E

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman
AJAY PAHWA Director

VILAS Y. RANE
Partner
Membership No. : F-33220
Place : Mumbai
Date : May 2, 2011

Deepali Bhandarkar Company Secretary

CASH FLOW STATEMENT

	Year Ended March 31,	
	2011	2010
	Rs. Crore	Rs. Crore
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(41.27)	(25.11)
Adjustments for:		
Depreciation, amortization and impairment	16.25	15.23
Provision for impairment of fixed assets (Refer Note 8 of Schedule Q)	7.74	–
Finance charges	1.71	1.97
Interest income	(1.56)	(0.01)
Loss on sale / discarding of assets (net)	2.47	0.32
Provision for impairment of fixed assets written back (Refer Note 5(b) of Schedule Q)	(2.34)	–
Dividend Income	–	(0.00)
Provision for doubtful debts / advances	0.00	0.04
	<u>24.29</u>	<u>17.55</u>
Operating profit / (loss) before working capital changes	(16.98)	(7.55)
Adjustments for:		
Increase / (decrease) in Inventories	4.43	0.21
Increase / (decrease) in Debtors	(0.00)	(0.06)
Increase / (decrease) in Loans and advances	1.93	4.03
(Increase) / decrease in Current liabilities and provisions	(18.46)	(5.53)
	<u>(12.09)</u>	<u>(1.35)</u>
Cash generated from / (used in) operations	(4.89)	(6.21)
Taxes paid	0.21	0.07
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	(5.09)	(6.28)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5.67)	(18.55)
Sale of fixed assets	0.58	0.25
Acquisition of a subsidiary	(22.98)	–
Dividend income	–	0.00
Interest income	1.54	0.00
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(26.52)	(18.30)
C CASH FLOW FROM FINANCING ACTIVITIES		
Loans from the Holding Company (net of repayments)	32.95	25.26
Finance charges	(1.71)	(1.97)
NET CASH INFLOW FROM FINANCING ACTIVITIES	31.24	23.29
D NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(0.38)	(1.28)
E Cash and cash equivalents - opening balance	1.50	2.78
F Cash and cash equivalents - closing balance	1.13	1.50

Notes:

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard – 3 on Cash Flow Statements, as specified in the Companies (Accounting Standards) Rules, 2006.
- Cash and Cash Equivalents - Closing Balance includes balances aggregating to Rs. 1,491,059 [Previous year Rs. 1,421,059] with scheduled banks in fixed deposits, pledged against the bank guarantees, which are not available for use by the company.
- Previous year figures have been regrouped where necessary.

As per our attached report of even date

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

VILAS Y. RANE

Partner

Membership No. : F-33220

Place : Mumbai

Date : May 2, 2011

For and on behalf of the Board of Directors

HARSH MARIWALA

Chairman

AJAY PAHWA

Director

Deepali Bhandarkar

Company Secretary

SCHEDULES TO BALANCE SHEET

As at March 31,

	2011 Rs. Crore	2010 Rs. Crore
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
20,000,000 Equity shares of Rs. 10 each	20.00	20.00
	20.00	20.00
ISSUED AND SUBSCRIBED:		
14,500,000 Equity shares of Rs. 10 each fully paid up (Entire share capital is held by Marico Limited, the Holding Company, and its nominees)	14.50	14.50
	14.50	14.50
SCHEDULE 'B'		
SHARE PREMIUM ACCOUNT	15.91	15.91
	15.91	15.91
SCHEDULE 'C'		
UNSECURED LOAN		
Loan from the Holding Company - Interest free	112.92	79.97
	112.92	79.97

SCHEDULE 'D'

FIXED ASSETS

(Amount in Rs. Crore)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION					NET BLO K		
	As at April 1, 2010	Additions	Deductions / Adjustments	As at / March 31, 2011	As at / April 1, 2010	For the year (Refer Note 2 below)	Deductions / Adjustments	As at / March 31, 2011	Provision for Impairment as at March 31, 2011 (Refer Note 3 below)	As at / March 31, 2011	As at / March 31, 2010	
Tangible assets												
Buildings	16.87	-	-	16.87	0.69	0.27	-	0.96	-	15.91	16.18	
Plant and machinery	71.99	5.48	3.55	73.92	33.34	13.30	1.51	45.14	5.60	23.18	37.18	
Furniture and fittings (Refer note 1 below)	19.60	0.69	1.24	19.04	5.43	2.42	0.29	7.57	2.11	9.36	13.30	
Vehicle	0.08	-	0.08	-	0.02	0.00	0.02	-	-	-	0.06	
Intangible assets												
Computer software	1.94	0.02	0.01	1.96	1.52	0.25	0.00	1.76	0.02	0.18	0.42	
TOTAL	110.48	6.18	4.87	111.79	41.00	16.25	1.82	55.43	7.74	48.63	67.15	
As at March 31, 2010	91.37	19.94	0.83	0.00	28.35	12.90	0.25	0.00	2.34	67.15	-	
										Capital work in progress (at cost) including capital advances	0.46	0.97
											49	68

Notes:

- Furniture and fittings also includes leasehold improvements, the amounts for which is not separately identifiable.
- Depreciation for the year includes accelerated depreciation of Rs. 30,946,158 (Previous year Rs. 12,284,815) due to revision of useful life of certain fixed assets and charge of Rs. 12,427,950 (Previous year Rs. Nil) on account of pre operative expenses incurred on setting up of the clinics, which were capitalised in the earlier years.
- Provision for impairment for the year includes impairment provision of Rs. 77,421,259 (Rs. 23,363,575), which is included under 'Exceptional item in profit and loss account, and is net of adjustment on discard of the related assets.

SCHEDULES TO BALANCE SHEET

	As at March 31,	
	2011 Rs. Crore	2010 Rs. Crore
SCHEDULE 'E'		
INVESTMENTS		
(at cost, Long term, Unquoted)		
Wholly owned subsidiary company:		
Derma – Rx International Aesthetics Pte Limited		
7,000,000 (Previous year Nil) equity shares of 1 SGD each, fully paid *	22.98	-
* These shares have been pledged as a security for loans taken by the said subsidiary		
	22.98	-
Aggregate Cost of Unquoted Investments	22.98	-
SCHEDULE 'F'		
INVENTORIES		
(Refer Note 2(g) of Schedule Q)		
Raw materials	1.72	1.03
Packing materials	1.84	1.09
Consumables and spares	8.29	6.03
Work-in-process	0.09	0.22
Finished products	2.59	1.73
[Includes Goods in transit of Rs. 1,069,664 (Previous year Rs. Nil)]		
	14.54	10.10
SCHEDULE 'G'		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	0.01	0.01
Considered doubtful	0.01	0.01
	0.02	0.01
Other debts - considered good	0.26	0.27
	0.28	0.28
Less : Provision for doubtful debts	0.01	0.01
	0.27	0.27
* Debtors include receivable from fellow subsidiary, Marico Bangladesh Limited - Rs. Nil (Rs. 943,256). [Maximum amount due during the year - Rs. 1,183,332 (Rs. 943,256)]		
SCHEDULE 'H'		
CASH AND BANK BALANCES		
Cash on hand	0.62	0.65
Balances with scheduled banks:		
In current accounts	0.36	0.71
In fixed deposits @	0.15	0.14
	1.13	1.50
@ Pledged with banks against bank guarantees issued. (Refer Note 3 of Schedule Q)		

SCHEDULES TO BALANCE SHEET

As at March 31,

	2011 Rs. Crore	2010 Rs. Crore
SCHEDULE 'I'		
LOANS AND ADVANCES		
(Unsecured, considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received *		
Considered good	8.62	4.81
Considered doubtful	0.06	0.07
	<u>8.68</u>	<u>4.88</u>
Less : Provision for doubtful advances	0.06	0.07
	<u>8.62</u>	<u>4.81</u>
Deposits	15.19	16.94
Balance with central excise authorities	0.25	0.36
Interest accrued but not due on fixed deposits with banks	0.05	0.04
Fringe benefit tax (net)	0.08	0.08
Tax deducted at source	0.24	0.03
	<u>24.42</u>	<u>22.26</u>
* Advances includes receivable from the fellow subsidiary, Kaya Middle East FZE - Rs. 27,507,815 (Rs. 8,579,361). [Maximum amount due during the period - Rs. 29,620,786 (Rs.10,587,396)]		
SCHEDULE 'J'		
CURRENT LIABILITIES		
Sundry Creditors		
- Due to Micro and Small Enterprises (Refer Note 17 of Schedule Q)	-	-
- Others	12.50	11.49
Due to a subsidiary	0.58	-
Advances received from customers (Refer Note 7 of Schedule Q)	23.50	4.08
Book overdraft	0.61	0.27
Other liabilities	1.12	1.13
	<u>38.31</u>	<u>16.97</u>
SCHEDULE 'K'		
PROVISIONS		
- Gratuity	0.58	0.29
- Leave encashment	0.62	0.49
- Others (Refer Note 6 of Schedule Q)	1.61	4.92
	<u>2.81</u>	<u>5.70</u>
SCHEDULE 'L'		
OTHER INCOME		
Interest income on loans, deposits, etc.	1.56	0.01
[Tax deducted at source Rs. 2,334,128 (Rs. 2,702)]	-	-
Exchange gain (net)	1.30	0.10
Dividend income from current investments	-	0.00
Provisions / liabilities no longer required written back	0.03	0.36
	<u>2.89</u>	<u>0.47</u>
SCHEDULE 'M'		
COST OF MATERIALS		
Raw materials consumed	2.58	2.50
Packing materials consumed	2.92	2.40
Consumables and spares	16.92	17.19
Purchase for resale	1.83	0.69
Contract manufacturing expenses	0.87	0.81
(Increase) / decrease in stocks:		
Opening stocks-		
- Work-in-process	0.22	-
- Finished products	1.73	1.68
Closing stocks		
- Work-in-process	0.09	0.22
- Finished products	2.59	1.73
	<u>(0.73)</u>	<u>(0.27)</u>
	<u>24.39</u>	<u>23.32</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	Year ended March 31,	
	2011 Rs. Crore	2010 Rs. Crore
SCHEDULE 'N'		
OPERATING AND OTHER EXPENSES		
Employees' costs :		
Salaries, wages and bonus	20.15	19.26
Contribution to provident fund and other funds	1.16	1.05
Welfare expenses	2.68	3.27
	23.99	23.58
Secoded employees cost	7.20	3.10
Payments to consultants	14.31	13.50
Recruitment charges	0.50	0.82
Electricity	3.08	4.46
Rent	20.86	21.27
Repairs and maintenance:		
- Plant and machinery	0.58	0.56
- Building	5.49	5.42
- Others	1.73	1.72
	7.80	7.70
Insurance	0.16	0.15
Rates and taxes	0.70	0.49
Legal and professional charges	1.79	2.51
Travelling, conveyance and vehicle expenses	2.02	4.02
Freight forwarding and distribution expenses	0.18	0.26
Advertisement and sales promotion	13.21	22.76
Printing, stationery and communication expenses	2.86	3.04
Bad debts	-	0.03
Provision for doubtful debts written back	-	(0.03)
Provision for doubtful debts	0.00	0.01
Provision for doubtful advances	-	0.06
Auditors' remuneration		
- Statutory audit fees	0.09	0.07
- Tax audit fees	0.02	0.02
- Out of pocket expenses	0.01	0.00
	0.11	0.08
Loss on sale / discarding of assets (net)	2.47	0.32
Provision for impairment of fixed assets written back	(2.34)	-
	0.13	0.32
Miscellaneous expenses (Refer Note 5 & 6 of Schedule O)	0.28	2.59
	99.19	110.73
SCHEDULE 'O'		
FINANCE CHARGES		
Bank and other financial charges	1.71	1.97
	1.71	1.97

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'P'

A) Details of Sale, Purchases, Opening Stock and Closing Stock

Sr. No.	Particulars	Unit	Opening Stock		Production @ Quantity	Purchases		Sale		Captive Consumption Quantity	Closing Stock	
			Rs. Cr.	Amount Rs. Cr.		Quantity	Amount Rs. Cr.	Quantity	Amount Rs. Cr.		Quantity	Amount Rs. Cr.
1	Skin Care Products	Nos.	271,846	1.73	591,671	63,201	1.83	447,691	23.74	167,103	311,924	2.59
		Nos.	275,327	1.68	562,025	30,910	0.69	406,494	19.61	189,922	271,846	1.73
2	Service Income		-	-	-	-	-	-	81.39	-	-	-
			-	-	-	-	-	-	106.07	-	-	-
	TOTAL		271,846	2	591,671	63,201	2	447,691	105	167,103	311,924	3
	TOTAL		275,327	2	562,025	30,910	1	406,494	126	189,922	271,846	2

Year ended March 31,

	2011		2010	
	Qty in Kgs.	Value Rs. Crore	Qty Kgs.	Value Rs. Crore
B) RAW MATERIALS CONSUMED				
Chemicals	45,824	2.58	48,601	2.50
		<u>2.58</u>		<u>2.50</u>

@ Consumption of Raw Materials include consumption by third parties under contract with the Company and consumption in respect of samples.

	2011		2010	
	Percentage	Value Rs	Percentage	Value Rs.
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Raw materials				
- Imported	19%	0.48	25%	0.62
- Indigenous	81%	2.10	75%	1.88
	<u>100%</u>	<u>2.58</u>	<u>100%</u>	<u>2.50</u>
Consumables				
- Imported	14%	2.37	21%	3.61
- Indigenous	86%	14.54	79%	13.58
	<u>100%</u>	<u>16.92</u>	<u>100%</u>	<u>17.19</u>
D) VALUE OF IMPORTS ON C.I.F. BASIS				
Raw Materials		0.60		0.66
Packing Materials		2.21		0.72
Consumables		3.02		3.01
Capital goods		4.24		4.57
Finished goods		1.41		0.14
		<u>11.47</u>		<u>9.10</u>
E) EXPENDITURE IN FOREIGN CURRENCY				
Travelling		0.09		0.27
Professional fees		1.18		0.03
		<u>1.27</u>		<u>0.30</u>
F) INCOME IN FOREIGN CURRENCY				
For export of goods on F.O.B basis		0.85		0.34
For services rendered		0.54		0.31
Others		0.37		0.17
		<u>1.76</u>		<u>0.82</u>

NOTES TO THE ACCOUNTS

SCHEDULE 'Q'

1) The Company and nature of its operations:

Kaya Limited ('Kaya' or the 'Company'), headquartered in Mumbai, India a wholly owned subsidiary of Marico Limited, carries on skin care business through Kaya Skin Clinics. The clinics offer skin care solutions using scientific, US FDA approved dermatological procedures and products.

2) Summary of significant accounting policies:

a. Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on an accrual basis and are in conformity with mandatory accounting standards, as specified in the Companies (Accounting Standards) Rules, 2006 and the other relevant provisions of the Companies Act, 1956.

b. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes, the useful lives and provision for impairment of fixed assets and intangible assets.

Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ from these estimates.

c. Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation / amortisation and impairment loss, if any. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Pre-operative expenses incidental and related to setting up of new clinics have been included under capital work-in-progress. Such expenditure are capitalised to fixed asset upon start of operations of the clinic.

d. Depreciation/ Amortisation

1) Tangible assets

- (i.) 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 useful lives of the following assets as estimated by the management are higher from the rates prescribed under Schedule XIV to the Companies Act, 1956:

Computer hardware, related peripherals etc.	3 years
Technologically advanced machinery	2 to 7 years
Other plant and machinery	2 to 9 years
Furniture and fixtures (including lease hold improvements)	9 years

The useful life of leasehold improvements are estimated taking into consideration lease period including the renewal option. Leasehold improvements includes provision for site restoration costs which are recognised based on the estimates made by management for probable liability towards restoration of these premises at the end of lease period.

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

- (iii.) Depreciation on additions during the year is charged from the month in which the assets are capitalized and for deletions up to the month prior to the month in which the asset is disposed off.

NOTES TO THE ACCOUNTS

2) Intangible assets

Intangible assets comprise of computer software which is amortized over the economic useful life of three years as estimated by the management.

e. Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value at appropriate discount rates.

f. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognize a decline, other than temporary. Current investments are valued at lower of cost and fair value, computed individually for each investment. In case of investments in mutual funds which are unquoted, net asset value is taken as fair value.

g. Inventories

- 1) Raw materials, packing materials, stores, spares and consumables are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used are expected to be sold at or above cost.
- 2) Finished products and work in progress are valued at lower of cost and net realizable value.
- 3) Cost is ascertained on weighted average method and in case of finished products and work in progress, it includes appropriate production overheads and duties.

h. Research and development

Capital expenditure on research and development is capitalized and depreciated. Revenue expenditure is charged off in the year in which it is incurred.

i. Revenue recognition

- 1) Income from services is recognized on rendering of services and are recorded net of discounts and service tax.
- 2) Income from package sale is recognized based on the utilisation of sessions by the customers.
- 3) Sale of products is recognized on delivery of the products to the customers and are recorded net of trade discounts, sales tax and value added tax.

j. Retirement benefits

1) Long-term Employee Benefits

(i.) Defined Contribution Plans

The Company has Defined Contribution Plan for post employment benefits in the form of Provident Fund. The Company's contributions to Defined Contribution Plans are charged to the profit and loss account as incurred.

(ii.) Defined Benefit Plans

The Company has Defined Benefit Plans for post employment benefits in the form of Gratuity and Leave Encashment. Liability for Defined Benefit Plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used for measuring the liability is the Projected Unit Credit method.

NOTES TO THE ACCOUNTS

- 2) Actuarial gains and losses due to changes in actuarial assumptions are recognised immediately in the profit and loss account as income or expense.
- k. Foreign currency transactions
- 1) Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the profit and loss account.
- 2) Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates, and the resultant exchange difference is recognised in the profit and loss account.
- l. 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 on unabsorbed tax losses and unabsorbed tax depreciation are recognized only when there is a virtual certainty of realization and other items are recognized when there is a reasonable certainty of realization.
- m. Share Issue Expenses
- Share issue expenses are adjusted against balance in securities premium account.
- n. Assets taken on lease:
- (i) In respect of finance lease arrangements, the assets are capitalized and depreciated. Finance charges are charged off to the Profit and Loss account of the year in which they are incurred.
- (ii) Operating lease payments are recognized as expenditure in the Profit and Loss account as per the terms of the lease arrangements. Initial direct cost incurred by the company for operating lease arrangements are amortised over a non cancellable period of lease agreement.
- o. Accounting for provision, contingent liabilities and contingent assets:
- Provisions are recognised in terms of Accounting Standard 29 – ‘Provisions, Contingent Liabilities and Contingent Assets’ (AS-29), notified by the Companies (Accounting Standards) Rules, 2006, when there is a present legal or statutory obligation as a result of past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Contingent Liabilities are disclosed only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for. Contingent Assets are not recognised in the financial statements.
- 3) a) Contingent liabilities not provided for :

Particular	As at March 31,	
	2011 Rs. Crore	2010 Rs. Crore
Disputed service tax matters	0.37	0.37
Disputed sales tax matters	0.37	--
Guarantees issued by banks	0.15	0.14
Lease termination cost (refer note 6 below)	0.11	2.00
Claims against the Company not acknowledged as debts	1.11	0.81

NOTES TO THE ACCOUNTS

- b) The Company has been sanctioned cash credit and letter of credit facilities of Rs. 8 Crore (Rs. 8 Crore) by banks. These facilities are guaranteed by the Holding Company. Amount outstanding towards these facilities on account of letter of credit is Rs. 0.09 Crore (Rs. 0.21 Crore).
- 4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 0.58 Crore (Rs 0.26 Crore) net of capital advances.
- 5) Disclosure in respect of discontinuance of operations

- a) Description of the discontinuing operation:

The Company had in the year 2008 as part of diversification of its business, started providing weight management solution services and had opened 5 clinics under the name of 'Kaya life'. The business was started on prototype basis to be scaled upon in future depending upon the responses from the customers. The business had not performed up to the expectation and had been incurring losses. In terms of the Board resolution dated March 22, 2010 the Board of Directors of the Company had approved a detailed, formal plan for the discontinuance and made an announcement of the same. The management has communicated the same to its employees, customers, owner of premises and other affected parties. The clinics were closed with effect from April 30, 2010.

- b) Estimated liabilities on account of discontinuance of operations:

Consequent to the said plans, during the previous year the Company had made provision for estimated cost of Rs. 5.16 Crore towards impairment of fixed assets and estimated costs arising on account of discontinuance of operations. During the year the discontinuance has been substantially completed and the Company has settled all the liabilities, except for lease termination cost of Rs. 0.13 Crore which is carried forward as provisions in the financial statements. The Company has also disposed / discarded impaired assets and loss arising from the same, net of provision for impairment of fixed assets made in the previous year, is included in loss on sale / discarding of assets in the profit and loss account.

Estimated liabilities carried forward in the financial statements are as under:

Particulars	As at March 31, 2011 (Rs. Cr.)	As at March 31, 2010 (Rs. Cr.)
Provision for impairment of fixed assets	--	2.34
Provision for others:		
Lease termination cost	0.13	1.58
Employees termination cost	--	0.23
Customers refunds	--	0.81
Inventory written down	--	0.20
Total	0.13	5.16

During the year, the Company has incurred cost relating to discontinuance of operations till the completion of discontinuance activities. The resultant cost of Rs. 0.40 Crore after considering the impact of settlement of liabilities for which provision was made in the previous year, is reflected as Loss from discontinuing operations and is reported as a separate component of the loss for the year on the face of the profit and loss account.

NOTES TO THE ACCOUNTS

- c) The summary of the carrying values of various assets and liabilities pertaining to the above referred operations as at the year end are as below:

Particulars	As at March 31, 2011 (Rs. Cr.)	As at March 31, 2010 (Rs. Cr.)
ASSETS :		
Net block of fixed assets (net of provisions for impairment)	–	1.02
Inventories	0.02	0.02
Cash and Bank	–	0.01
Loans and Advances	–	1.55
TOTAL ASSETS	0.02	2.60
LIABILITIES :		
Sundry Creditors	–	0.04
Provisions	0.13	2.62
TOTAL LIABILITIES	0.13	2.66

- d) The revenue and expenses in respect of the ordinary activities attributable to the discontinuing operations are as follows:

Particulars	For the year ended March 31, 2011 (Rs. Cr.)	For the year ended March 31, 2010 (Rs. Cr.)
Revenue		
Sale of Services	--	2.70
Other Income	0.00	0.00
Total Income	0.00	2.70
Expenses		
Cost of materials	0.00	0.45
Operating and other expenses #	(0.03)	7.40
Finance charges	0.01	0.08
Depreciation and amortization	0.43	0.52
Total Expenses	0.41	8.45
Profit/(Loss) before taxation and exceptional items	(0.40)	(5.75)
Less: Profit/(Loss) on discontinuance of operations	--	(5.16)
Profit/(Loss) after exceptional items and before taxation	(0.40)	(10.91)
Provision for taxation	--	--
Profit/(Loss) after taxation	(0.40)	(10.91)

Net of write back of estimated liabilities created for discontinued operations.

- e) The amount of net cash flows attributable to the operating, investing and financing activities of the discontinuing operations are as follows:

Particulars	March 31, 2011	March 31, 2010
Operating activities	(0.50)	(6.73)
Financing activities	0.49	(0.78)
Investing activities	(--)	(0.08)

NOTES TO THE ACCOUNTS

6) Other Provisions in schedule 'K' includes:

(Amount in rupees Crore)

	Lease termination cost*	Employees termination cost*	Customers Refunds*	Site restoration Cost**	Total
Opening Balance	2.44	0.27	0.81	1.39	4.92
Add: Provisions made	--	--	--	--	--
Less: Provisions utilized/ reversed	2.22	0.27	0.81	--	3.30
Closing Balance	0.22	--	--	1.39	1.61

Notes:

* Above provisions, except site restoration cost, represented estimates made for probable liability in the previous year arising on account of closure of Kaya Life operations (Refer note 5 above) and close down of seven clinics of Kaya Skin. Provision for lease termination cost are towards lock in period rent which are recognized to the extent it is more than probable that outflow of resources will be required to settle the transactions. The balance amount is treated as contingent in nature.

** The Company uses various leased premises for its clinics. A provision for site restoration cost is recognised for the estimates made for probable liability towards the restoration of these premises at the end of lease period. (Refer Note 2(d)(1)(i) above)

- 7) The service revenue of the Company includes packaged services for which the consideration is collected upfront towards services to be availed by the customers over a period of time covered by the package. These advances are non-refundable. However, due to inadequate measuring tools to record actual availment of services by customers against each package, the Company had been recognizing revenue on an estimate basis. During the year, the company has been able to develop and deploy Point of Sale (POS) software to track the availment of services by customers against these packages and have accordingly refined the said policy so as to align the recognition of revenue with the services rendered. Accordingly, an amount of Rs. 23.17 Crore collected during the year in respect of which services are pending to be rendered as at the year end has been deferred for recognition, upon rendering of services in the subsequent year and is included in Advances received from customers under the head "Current Liabilities". Had the company not made the said one time refinement of the accounting estimates, revenue from sale of services would have been higher by Rs. 19.20 Crore and loss for the year and Advances received from customer would have been lower by an equivalent amount.
- 8) During the year, the Company has carried out impairment testing at the clinic level, which the management considers as the relevant cash generating unit. While the overall future potential of the business as a whole is promising, for some of the clinics likely future performance is not adequate to justify and cover the value in use. This resulted in an impairment provision of Rs. 7.74 Crore which is included in "Exceptional Items" in the profit and loss account. The Company has considered a pre tax discount rate of 17.68% for determining value in use.
- 9) The Company had been incurring losses since inception. The net-worth of the Company had turned negative in the previous year. The management believes that these losses are not reflective of future trends and operations of the Company. The management believes that the Kaya business model continues to be robust and offers significant long term growth opportunities. Further, the operations of Kaya are expected to improve significantly due to positive changes in the economic environment, maturity of new clinics, renewed focus on reducing the time to scale up revenues in new clinics, improve capacity utilizations of clinics, expansion of Kaya's range of services and product offerings, rationalization of costs and other restructuring measures under consideration, including leveraging the synergies from the acquisition of Derma Rx business in Singapore (by its wholly owned subsidiary) and by increasing the share of product sales in the total business. Having regard to the above factors, based on the fundamentals of Kaya, its future business plans and continuing support from the holding company for meeting its funding requirements, these financial statements of the Company have been prepared by the management on going concern basis.

NOTES TO THE ACCOUNTS

- 10) a) Provision for income tax is not made in view of assessable loss for the year.
- b) There are no deferred tax liabilities as at the year end. Deferred tax assets has not been recognised on carried forward depreciation, business loss and other item of deferred tax assets, as there is no virtual certainty of its realization on account of the losses incurred by the Company.

11) Operating Leases

The Company has entered into several operating lease arrangements for its Office premises and Skin clinics for a period ranging from 3 to 9 years and, is renewable on a periodic basis at the option of the lessor and lessee. Under these arrangements, generally refundable interest free deposits have been given.

Disclosure in respect of assets taken on non cancelable operating lease :

Particulars	March 31, 2011 (Rs. Cr.)	March 31, 2010 (Rs. Cr.)
Lease rentals recognized in the profit and loss account *	20.86	21.27
Future minimum lease rentals payments payable:		
- not later than one year	16.18	15.23
- Later than one year but not later than five years	42.45	52.31
- Later than five years	1.70	4.70
	60.33	72.24

*Includes provision for lease termination cost referred in Note 5 and 6 above.

12) Derivative Transaction -

The Company has not entered into any derivative transactions during the year and there were no derivative transactions outstanding as on March 31, 2011. Net foreign currency exposure not hedged as at the year end were as under:-

Particulars	Foreign currency amount			Equivalent amount in Rupees Crore	
	Currency	As at March 31,2011	As at March 31, 2010	As at March 31,2011	As at March 31, 2010
Sundry creditors					
	EURO	--	332	--	0.00
	SGD	185,154	--	0.65	--
	AED	96	--	0.00	--
	USD	27,185	313	0.12	0.00
Advances recoverable in cash or kind	USD	545,964	175,952	2.45	0.79
	AED	--	151,720	--	0.86
	EURO	--	1,324	--	0.01
Sundry debtors	USD	--	21,003	--	0.09

13) Earnings per share:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Profit / (Loss) after tax (Rs. Cr.)	(41.26)	(25.11)
Equity shares outstanding as at the year end	14,500,000	14,500,000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	14,500,000	14,500,000
Nominal value per equity share (Rs.)	10	10
Basic and diluted earnings per equity share (Rs.)	(28.46)	(17.32)

NOTES TO THE ACCOUNTS

14) The Company is primarily engaged in providing specialized skin care services and other related products and is managed as one entity, for its various activities and is governed by a similar set of risks and returns. There is no geographical segment, since the Company operates only in India.

15) Related Party disclosures

a. Marico Limited – Holding Company

	March 31, 2011 Rs. Cr.	March 31, 2010 Rs. Cr.
Nature of transactions		
Transactions during the year		
Unsecured loans taken (net of repayments)	25.75	22.20
Reimbursement of expenses (Secoded employees cost, rent, electricity and others)	7.99	3.87
Reimbursement of expenses incurred by the Company on behalf of the Holding Company		
Rent	0.78	0.75
Others	--	0.06
Balances as at the year end		
Unsecured loans	112.92	79.97
Guarantees given to the bank (Refer Note 3(b) above)	8.00	8.00

b) Kaya Middle East FZE – Fellow Subsidiary

	March 31, 2011 Rs. Cr.	March 31, 2010 Rs. Cr.
Nature of transactions		
Transactions during the year		
Reimbursement of expense incurred	1.41	1.11
Sale of products	0.39	0.15
Sale of fixed assets	0.18	--
Sale of spares	0.19	0.04
Balances as at the year end -		
Loans and advances	2.72	0.86

c) Marico Bangladesh Limited – Fellow Subsidiary

Nature of transactions		
Transactions during the year -		
Sale of products	0.46	0.10
Sale of fixed assets	--	0.12
Sale of Consumables	--	0.09
Balances as at the year end -		
Debtors	--	0.09

d) Derma-RX International Aesthetics Pte Limited – Wholly owned Subsidiary (with effect from April 22, 2010)

Nature of transactions		
Transactions during the year -		
Unsecured loan given by the Company	68.94	--
Unsecured loan repaid to the Company (Including exchange gain)	72.50	--
Purchase of products	0.64	--
Reimbursement of expense incurred by the Company	0.63	--
Balance transferred from DRX Meditech Pte Limited on merger	0.57	--
Investments made	22.98	--
Interest Income	1.55	--
Balances as at the year end	--	--
Due to subsidiary	0.58	--

NOTES TO THE ACCOUNTS

- e) DRX Meditech Pte Limited – (With effect from May 25, 2010 & upto February 28, 2011 – Merged with Derma-Rx International Aesthetics Pte Limited with effect from March 1, 2011)

Nature of transactions		
Transactions during the year –		
Purchase of products	0.57	--
Balance transferred to Derma-RX International Aesthetics Pte Limited on merger	0.57	--
Balances as at the year end	--	--

- f) Other related parties where control exists, however, with whom the Company did not have any transaction:
- i. The DRx Medispa Pte Limited (With effect from May 25, 2010) – (Wholly owned subsidiary of Derma-RX International Aesthetics Pte Limited)
 - ii. The DRx Clinic Pte Limited (With effect from May 25, 2010) - (Wholly owned subsidiary of Derma-RX International Aesthetics Pte Limited)
 - iii. DRx Investments Pte Limited (With effect from May 25, 2010) - (Wholly owned subsidiary of Derma-RX International Aesthetics Pte Limited)
 - iv. DRx Aesthetics Sdn Bhd (With effect from May 25, 2010) – (Wholly owned subsidiary of DRx Investments Pte Limited)

16) Disclosure pursuant to Accounting Standard 15 (Revised) – Employee Benefits

The disclosures as required as per the revised AS 15 are as under:

a) Brief descriptions of the plans:

The Company has various schemes for long-term benefits such as provident fund and gratuity. The Company's defined contribution plans is provident fund since the Company has no further obligation beyond making the contributions. The Company's defined benefit plans include gratuity. The employees of the Company are also entitled to leave encashment as per the Company's policy. The defined benefit plans are not funded.

b) Defined contribution plan (Provident fund):

The Company has recognised following amount as expenses and included in Employees' Remuneration – Schedule N in the Profit and Loss Account

	For the year ended March 31, 2011 (Rs. Cr.)	For the year ended March 31, 2010 (Rs. Cr.)
Contribution to provident fund	0.83	0.84
Contribution to employee state insurance contribution	0.32	0.21

NOTES TO THE ACCOUNTS

c) Defined benefit plans (Gratuity unfunded):

	As at March 31, 2011 (Rs. Cr.)	As at March 31, 2010 (Rs. Cr.)
I. Actuarial assumptions:		
Discount rate	7.50%	7.50%
Rate of return on plan assets	--	--
Future salary rise	12.00%	10.00%
Attrition rate	40.00%	30.00%
II. Change in defined benefit obligations:		
Liability at the beginning of the year	0.29	0.19
Interest cost	0.03	0.02
Current service cost	0.15	0.09
Liability Transfer in	--	--
Past service cost (vested and non vested benefits)	--	--
Benefits paid	(0.04)	(0.02)
Actuarial (gain) / loss on obligations	0.14	0.02
Liability at the end of the year	0.58	0.29
III. Liability recognised in the Balance Sheet:		
Liability at the end of the year	0.58	0.29
Fair value of plan assets at the end of the year	--	--
Difference	(0.58)	(0.29)
Unrecognised past service cost	--	--
Liability recognised in the Balance Sheet	0.58	0.29
IV. Expenses recognised in the Profit and Loss Account:		
Current service cost	0.15	0.09
Interest cost	0.03	0.02
Expected return on plan assets	--	--
Net actuarial (gain) / loss to be recognized	0.14	0.02
Past service cost (vested and non vested benefits)	--	--
Expense recognised in Profit and Loss Account	0.32	0.12
V. Balance Sheet reconciliation:		
Opening net liability	0.29	0.19
Expenses as above	0.32	0.12
Benefits paid	(0.04)	(0.02)
Closing net liability	0.58	0.29

NOTES TO THE ACCOUNTS

	March 31, 2011	March 31, 2010	March 31, 2009
VI. Experience adjustments:			
On plan liability (gain) / loss	0.15	0.03	(0.00)

The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority, promotion, and other relevant factors such as supply and demand factors in the employment market.

d) Leave Encashment:

The Company permits encashment of privileged leave (except sick leave) accumulated by its employees on retirement, separation and during the course of service. The liability for unexpired leave is determined and provided on the basis of actuarial valuation at the Balance Sheet date. The privileged leave liability is not funded.

Amount recognized in the Balance Sheet and movements in net liability:

Particulars	March 31, 2011 (Rs. Cr.)	March 31, 2010 (Rs. Cr.)
Opening Balance of Compensated Absences (a)	0.49	0.42
Present value of Compensated Absences(As per actuary valuation) as at the year end (b)	0.62	0.49
Unfunded liability of Compensated Absences recognized in the Profit and Loss Account for the year (b – a)	0.13	0.07

- 17) Based on the intimation received by the Company from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, there are no dues payable to Micro and small enterprises.
- 18) Research and Development expenses aggregating Rs. 0.28 Crore (Rs. 0.50 Crore) have been included under the relevant heads in the Profit and Loss account.
- 19) (a) The figures in brackets represent those of the previous year
(b) The figures for the previous year have been regrouped where necessary to conform to current year classification.

Signatures to Schedules A to O

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

VILAS Y. RANE

Partner

Membership No. : F-33220

Place : Mumbai

Date : May 2, 2011

For and on behalf of the Board of Directors

HARSH MARIWALA

Chairman

AJAY PAHWA

Director

Deepali Bhandarkar

Company Secretary

MARICO MIDDLE EAST FZE

Board of Directors

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

S. Mohan

Sudhir Rehgarh

Secretary, Manager, Negotiator

Sudhir Rehgarh

Registered Office

Office No. LB15326, Jebel Ali, Dubai, UAE

Auditors

M/s. Pannell Kerr Forster

Chartered Accountants

Bankers

Standard Chartered Bank

Legal Advisors

M/s. Pannell Kerr Forster

Chartered Accountants

AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of MARICO MIDDLE EAST FZE, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 3 to 22.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MARICO MIDDLE EAST FZE as of 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our audit opinion, we draw attention to Note 1 (d) to the financial statements which states that the financial statements of the subsidiary companies are not consolidated in these financial statements as they will be consolidated in the financial statements of the ultimate parent company.

Report on other Legal and Regulatory Requirements

We further confirm that, except for non-presentation of consolidated financial statements as stated above, the financial statements comply with Implementing Regulation No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No.9 of 1992. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulation.

Dubai
United Arab Emirates
18 April 2011

PANNELL KERR FORSTER

STATEMENTS OF FINANCIAL POSITION

	Notes	As at March 31 ,			
		2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
NON-CURRENT ASSETS					
Property, plant and equipment	6	701,198	404,125	0.85	0.49
Investment in subsidiaries	7	32,001,823	32,001,823	38.85	39.14
Non-current financial asset	8	65,795,642	47,031,898	79.87	57.52
		<u>98,498,663</u>	<u>79,437,846</u>	<u>119.57</u>	<u>97.15</u>
CURRENT ASSETS					
Trade and other receivables	9	30,798,072	25,113,712	37.39	30.71
Cash and cash equivalents	11	1,398,555	244,453	1.70	0.30
		<u>32,196,627</u>	<u>25,358,165</u>	<u>39.09</u>	<u>31.01</u>
TOTAL ASSETS		<u>130,695,290</u>	<u>104,796,011</u>	<u>158.66</u>	<u>128.16</u>
CURRENT LIABILITIES					
Bank borrowings	12	78,570,806	44,459,350	95.38	54.37
Trade and other payables	13	28,239,616	24,584,694	34.28	30.06
		<u>106,810,422</u>	<u>69,044,044</u>	<u>129.66</u>	<u>84.43</u>
NON-CURRENT LIABILITIES					
Provision for staff-end-of service gratuity	14	436,734	292,729	0.53	0.36
SHAREHOLDER'S FUNDS					
Share capital	15	22,000,000	22,000,000	26.71	26.90
(Accumulated losses) / Retained earnings		(1,024,511)	10,963,599	(1.24)	13.41
Equity funds		<u>20,975,489</u>	<u>32,963,599</u>	<u>25.47</u>	<u>40.31</u>
Loan from parent company	16	2,472,645	2,495,639	3.00	3.05
		<u>23,448,134</u>	<u>35,459,238</u>	<u>28.47</u>	<u>43.36</u>
TOTAL EQUITY FUNDS AND LIABILITIES		<u>130,695,290</u>	<u>104,796,011</u>	<u>158.66</u>	<u>128.16</u>

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

The report of the independent auditor is set forth on pages 1 and 2.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Authorised for issue by the directors on 14 April 2011.

For MARICO MIDDLE EAST FZE

Date : 14 April 2010

DIRECTOR

Note: The exchange rate used to convert AED to Rs. 12.139 / AED (Rs. 12.229 / AED)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended March 31,			
		2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
REVENUE		99,808,788	91,065,039	121.16	111.36
Purchases of inventory		(61,092,772)	(38,818,420)	(74.16)	(47.47)
GROSS PROFIT		38,716,016	52,246,619	47.00	63.89
Other operating income		58,901	64,426	0.07	0.08
Staff cost	18	(7,130,255)	(4,643,664)	(8.66)	(5.68)
Depreciation		(121,759)	(27,700)	(0.15)	(0.03)
Other operating expenses	19	(43,338,562)	(42,948,615)	(52.61)	(52.52)
(LOSS) / PROFIT FROM OPERATING ACTIVITIES		(11,815,659)	4,691,066	(14.35)	5.74
Interest income	20	1,648,192	959,784	2.00	1.17
Finance costs	21	(1,820,643)	(1,797,674)	(2.21)	(2.20)
(LOSS) / PROFIT FOR THE YEAR		(11,988,110)	3,853,176	(14.56)	4.71
Other comprehensive income		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(11,988,110)	3,853,176	(14.56)	4.71

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

The report of the independent auditor is set forth on pages 1 and 2.

For MARICO MIDDLE EAST FZE

Date : 14 April 2010

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2011

	Share Capital AED	Retained earnings/ (Accumulated) losses AED	Total AED
As at 31.3.2009	1,000,000	7,110,423	8,110,423
Issue of share Capital	21,000,000	–	21,000,000
Total comprehensive income for the year	–	3,853,176	3,853,176
As at 31.3.2010	22,000,000	10,963,599	32,963,599
Total comprehensive income for the year	–	(11,988,110)	(11,988,110)
As at 31.3.2011	22,000,000	(1,024,511)	20,975,489

	Share Capital Rs. Crore	(Accumulated) losses Rs. Crore	Total Rs. Crore
As at 31.3.2009	1.21	8.63	9.84
Issue of share Capital	25.49	–	25.49
Total comprehensive income for the year	–	4.68	4.68
As at 31.3.2010	26.70	13.31	40.01
Total comprehensive income for the year	–	(14.55)	(14.55)
As at 31.3.2011	26.70	(1.24)	25.46

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

The report of the independent auditor is set forth on page 1 and 2.

For MARICO MIDDLE EAST FZE

Date : 14 April 2010

DIRECTOR

Note: The exchange rate used to convert AED to Rs. 12.139 / AED (Rs. 12.229 / AED)

CASH FLOW STATEMENT

	Notes	Year ended March 31,			
		2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
Cash Flow from operations activities					
Cash (used in)/ generated from operations	22	(13,579,333)	9,677,700	(16.48)	11.83
Interest paid		(1,820,643)	(1,797,674)	(2.21)	(2.20)
Net cash (used in)/ generated from operating activities (A)		(15,399,976)	7,880,026	(18.69)	9.63
Cash flows from investing activities					
Purchase of property, plant and equipment		(418,832)	(267,706)	(0.51)	(0.33)
Proceeds on disposals of property, plant and equipment		–	9,860	–	0.01
Investments in wholly owned subsidiaries		–	(19,084,000)	–	(23.34)
Long term loans to a subsidiary		(18,763,744)	(16,102,231)	(22.78)	(19.69)
Interest received		1,648,192	959,784	2.00	1.17
Net cash used in investing activities (B)		(17,534,384)	(34,484,293)	(21.29)	(42.18)
Cash flows from financing activities					
Issue of share capital		–	21,000,000	–	25.68
Receipts from / (payment of) bank overdraft (net)		8,291,753	(4,433,065)	10.07	(5.42)
Receipts of bank loans (net)		25,819,703	18,000,215	31.34	22.01
Receipt of / (Repayment of) from a parent company		(22,994)	(7,785,752)	(0.03)	(9.52)
Net cash from financing activities (C)		34,088,462	26,781,398	41.38	32.75
Net increase in cash and cash equivalents (A + B + C)		1,154,102	177,131	1.40	0.20
Cash and cash equivalent at beginning of year		244,453	67,322	0.30	0.08
Cash and cash equivalents at end of the year	11	1,398,555	244,453	1.70	0.28

For MARICO MIDDLE EAST FZE

Date : 14 April 2010

DIRECTOR

Note: The exchange rate used to convert AED to Rs. 12.139 / AED (Rs. 12.229 / AED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) MARICO MIDDLE EAST FZE is a Free Zone Establishment with limited liability registered in the Jebel Ali Free Zone pursuant to Law NO.9 of 1992 of late H. H Sheikh Maktoum Bin Rashid Al Maktoum, former Ruler of Dubai. The registered office is P.O. Box 50394, Dubai. UAE. The establishment was registered on 8 November 2005 and commenced operations on 15 November 2005.
- b) The establishment trades in personal care, food and health care products and equipments.
- c) The parent company is "Marico Limited", a company registered in India, which is the ultimate parent company.
- d) These are separate financial statements of Marico Middle East FZE. The financial statements of the subsidiary companies are not consolidated in these financial statements as they will be consolidated in the financial statements of the ultimate parent company

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted, and which have been consistently applied, are as follows

a) Basis of preparation

The financial statements are presented in UAE Dirhams and prepared using historical cost, and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2010, and the laws of the Jebel Ali Free Zone.

As at the reporting date the establishment has accumulated loss of AED 1,024,511 and its current liabilities exceeds its current assets by AED 74,613,795. However the shareholder has agreed to provide continuing financial support to enable the establishment to discharge its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of the assets as follows

Furniture, fixtures and office equipment	3 to 15 years
Motor vehicles	10 years

Capital work-in-progress is not depreciated. This will be depreciated from the date the relevant assets are ready for use.

An assessment of depreciation method, useful lives and residual values are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

c) Investment in subsidiary

Subsidiaries are those enterprises which are controlled by the establishment. Control exists when the establishment holds more than 50% of the share capital of the investee company or controls the investee company's financial and operating policies of the entity under a statute or an agreement or controls more than half of the voting rights by virtue of an agreement with other investors. The investments in subsidiaries are stated at cost and provisions are made for impairment losses, if any.

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is arrived at using the First-In First-Out (FIFO) method and comprises invoice value plus applicable landing charges less discounts. Net realizable value is based on estimated selling price less any estimated cost of completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

e) Staff end-of-service gratuity

Provision is made for end-of-service gratuity payable to the staff at the reporting date in accordance with the local labour laws.

f) Revenue

Revenue represents the net amount invoiced for goods delivered during the year. The revenue also includes sales on trans-shipment basis i.e. the supplier ships goods directly to the customer. Revenue is recognized when significant risks and rewards relating to the ownership of goods are transferred to the customer, and is based on amount invoiced to customers, net of discounts and returns, for trans-shipments made during the year.

g) Leases

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

h) Foreign currency transactions

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to the profit or loss.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

j) Financial instruments

Financial assets and financial liabilities are recognised when, and only when, the establishment becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Current and non-current financial assets that have fixed or determinable payments and for which there is no active market, which comprise long term loan to wholly owned subsidiaries and other receivable are classified as loans and receivables and stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognised in profit or loss.

Current and non-current financial liabilities, which comprise current and non-current bank borrowings, trade and other payables and long term loan from parent company, are measured at cost or if the impact is material, at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows.

Impairment

At each reporting date, management conducts an assessment of property, plant, equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the profit and loss account or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Doubtful debt provisions

Management regularly undertakes a review of the amounts of loans and receivables owed to the establishment either from third parties, (refer Note 9) or from related parties (refer Note 10) and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant, equipment and all financial assets other than loans and receivables (refer above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff-end-of service gratuity

The establishment computes the provision for the liability to staff end-of-service gratuity stated at AED 436,734 (previous year AED 292,729), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

5. ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the establishment are as follows. Their adoption has resulted in presentation and disclosure changes only:

IAS 27 : Consolidate and Separate Financial Statements

Improvements to IFRS

- IAS 1: Presentation of Financial Statements
- IAS 7: Statement of Cash Flows

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

- IAS 17: Leases
- IAS 18: Revenue
- IAS 36: Impairment of Assets
- IAS 39: Financial Instruments: Recognition and Measurement

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the financial statements have been issued by the IASB prior to the date the financial statements were authorised for issue but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods. It is anticipated that their adoption in the relevant accounting periods will have an impact only on presentation and disclosures within the financial statements:

- IAS 24: Related Party Disclosures (1 January 2011)
- Improvements to IFRS
 - o IFRS 7: Financial Instruments : Disclosures (1 January 2011)
 - o IAS 1: Presentation of Financial Statements (1 January 2011)
 - o IAS 27: Consolidated and Separate Financial Statements (1 July 2010)
- IFRS 9: Financial Instruments (1 January 2013)

6. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Furniture, fixtures and office equipment	Motor Vehicles	Total
	AED	AED	AED	AED
Cost				
As at 1 April 2009	–	161,749	47,545	209,294
Additions	200,000	67,706	–	267,706
Disposals	–	(12,500)	–	(12,500)
As at 31 March 2010	200,000	216,955	47,545	464,500
Additions	–	418,832	–	418,832
Transfers	(200,000)	200,000	–	–
As at 31 March 2011	–	835,787	47,545	883,332
Accumulated depreciation and impairment losses				
As at 1 April 2009	–	24,610	8,657	33,267
Depreciation	–	23,183	4,517	27,700
Adjustment on disposal	–	(592)	–	(592)
As at 31 March 2010	–	47,201	13,174	60,375
Depreciation	–	117,242	4,517	121,759
As at 31 March 2011	–	164,443	17,691	182,134
Net book values				
As at 1 April 2009	–	137,139	38,888	176,027
As at 31 March 2010	200,000	169,754	34,371	404,125
As at 31 March 2011	–	671,344	29,854	701,198

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	Capital work in progress	Furniture, fixtures and office equipment	Motor Vehicles	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Cost				
As at 1 April 2009	–	0.20	0.06	0.26
Additions	0.24	0.08	–	0.32
Disposals	–	(0.02)	–	(0.02)
As at 31 March 2010	0.24	0.26	0.06	0.56
Additions	–	0.51	–	0.51
Transfers	(0.24)	0.24	–	–
As at 31 March 2011	–	1.01	0.06	1.07
Accumulated depreciation and impairment losses				
As at 1 April 2009	–	0.03	0.01	0.04
Depreciation	–	0.03	0.01	0.04
Adjustment on disposal	–	–	–	–
As at 31 March 2010	–	0.06	0.02	0.08
Depreciation	–	0.14	0.01	0.15
As at 31 March 2011	–	0.20	0.03	0.23
Net book values				
As at 1 April 2009	–	–	–	–
As at 31 March 2010	–	0.17	0.05	0.22
As at 31 March 2011	0.24	0.21	0.04	0.49
	–	0.81	0.04	0.85

Note : Capital work-in-progress relates to furniture, fixtures and office equipment.

7. INVESTMENT IN SUBSIDIARIES

	2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
Kaya Middle East FZE *	150,000	150,000	0.18	0.18
MEL Consumer Care Company**	162,016	162,016	0.20	0.20
Egypt American Investment and Industrial Development Company (EAIIDC) ***	12,551,836	12,551,836	15.24	15.35
MBL Industries Limited ****	53,971	53,971	0.07	0.07
Marico Malaysia SDN. BHD. *****	19,084,000	19,084,000	23.17	23.34
	32,001,823	32,001,823	38.86	39.14

* This represents investment in 1 share of AED 150,000 in a wholly owned subsidiary, Kaya Middle East FZE, registered in Sharjah, UAE.

** This represents investment in 250 shares equivalent to AED 648.06 each, in a wholly owned subsidiary, MEL Consumer Care Company, an Egyptian Joint Stock Company, out of which 3 shares are held by individuals on behalf of the establishment.

*** This represents investments in 68,920 shares equivalent to AED 182.12 each in a wholly owned subsidiary, Egypt American Investment and Industrial Development Company (EAIIDC), registered in Egypt.

**** This represents investments in 100,000 shares equivalent to AED 0.5497 each, in a wholly owned subsidiary, MBL Industries Limited, registered in Bangladesh.

***** This represents investment in 17,660,240 shares equivalent to AED 1.08 each, in a wholly owned subsidiary Marico Malaysia SDN. BHD, registered in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	2011	2010	2011	2010
	AED	AED	Rs. Crore	Rs. Crore
8. NON-CURRENT FINANCIAL ASSETS				
Long term Loan :				
Kaya Middle East FZE (Note 1)	42,846,126	23,824,118	52.01	29.13
Marico Malasia SDN BHD (Note 2)	367,325	–	0.45	–
MEL Consumer Care Wind (Note 2)	8,859,047	9,484,636	10.75	11.60
MEL Consumer Care Company (Note 3)	6,578,106	6,578,106	7.99	8.04
Egypt American Investment and Industrial Development Company (EAIIDC) (Note 3)	7,145,038	7,145,038	8.67	8.74
	65,795,642	47,031,898	79.87	57.51

Notes:

- 1) This represents long term loan with no fixed payment schedule. The loan carries interest at floating rate linked to LIBOR.
- 2) This represents long term loans with no fixed repayment schedule. The loan carries interest at fixed rate.
- 3) These represents interest free long term loans with no fixed repayment schedule.

	2011	2010	2011	2010
	AED	AED	Rs. Crore	Rs. Crore
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	26,050,801	21,733,422	31.62	26.58
Less : Provision for doubtful account	(360,808)	–	(0.44)	–
	25,689,993	21,733,422	31.19	26.58
Advances	3,105,783	2,015,523	3.77	2.46
Prepayments	1,171,329	414,029	1.42	0.51
Other receivables	425,655	576,501	0.52	0.71
Deposits	405,312	374,237	0.49	0.46
	30,798,072	25,113,712	37.39	30.72

A reconciliation of the movements in the doubtful debt provision account are as follows :

Opening balance	–	–	–	–
Provision made during the year	360,808	–	0.44	–
Closing balance	360,808	–	0.44	–

An age analysis of trade receivable that are past due but not impaired is as follows :

0 to 3 months	954,899	–	1.16	–
Over 3 months	128,676	–	0.16	–

An analysis of trade receivables considered to be impaired due to non-recovery or perceived difficulty in recovery is as follows :

Gross value	360,808	–	0.44	–
Provision	360,808	–	0.44	–
Carrying value	–	–	–	–
Trade receivable not past due and not impaired	24,606,418	21,733,422	29.87	26.58

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

10. RELATED PARTIES

The establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and at prices determined by the management.

Related parties comprise the parent company, subsidiaries and directors.

At the reporting date, significant balances with related parties were as follows:

	Parent company AED	Subsidiaries AED	Directors AED	Total 2011 AED	Total 2010 AED
Investment in subsidiaries	–	32,001,823	–	32,001,823	
	–	32,001,823	–		32,001,823
Disclosed as non-current financial asset (long term loans to wholly owned subsidiaries)	–	65,795,642	–	65,795,642	
	–	47,031,898	–		47,031,898
Included in trade receivable	–	–	83,728	83,728	
	–	–	–	–	–
Included in trade payables	8,856,174	5,977,448	–	14,833,622	
	6,434,577	3,422,968	–		9,857,545
Included in accruals	–	–	49,051	49,051	
	–	–	64,447		64,447
Loan from parent company	2,472,645	–	–	2,472,645	
	2,495,639	–	–		2,495,639
Included in end-of-service gratuity	–	–	56,715	56,715	
	–	–	36,700		36,700

	Parent company Rs Crore	Subsidiaries Rs Crore	Directors Rs Crore	Total 2011 Rs Crore	Total 2010 Rs Crore
Investment in subsidiaries	–	38.85	–	38.85	
	–	39.14	–		39.14
Disclosed as non-current financial asset (long term loans to wholly owned subsidiaries)	–	79.87	–	79.87	
	–	57.52	–		57.52
Included in trade receivable	–	–	0.10	0.10	
	–	–	–	–	–
Included in trade payables	10.75	7.26	–	18.01	
	7.87	4.19	–		12.06
Included in accruals	–	–	0.06	0.06	
	–	–	0.08		0.08
Loan from parent company	3.00	–	–	3.00	
	3.05	–	–		3.05
Included in end-of-service gratuity	–	–	0.07	0.07	
	–	–	0.04		0.04

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in Notes 8, 16 and 23.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

Significant transactions with related parties during the year were as follows:

	Parent company AED	Subsidiaries AED	Directors AED	2011 AED	2010 AED
Sales	–	8,192,117	–	8,192,117	–
	–	–	–		–
Purchases	22,042,775	32,201,384	–	54,244,159	38,914,696
	25,768,359	13,146,337	–		
Royalty expenses (included in selling expenses)	2,290,417	–	–	2,290,417	–
	2,274,527	–	–		2,274,527
Salaries and benefits	–	–	629,240	629,240	–
	–	–	685,994		685,994
End-of-service gratuity	–	–	18,905	18,905	–
	–	–	18,350		18,350
Interest expenses	206,562	–	–	206,562	–
	416,181	–	–		416,181
Bank guarantee charges	473,127	–	–	473,127	–
	410,202	–	–		410,202
Operating lease expenses charged	–	471,935	–	471,935	–
	–	175,008	–		175,008
Interest income	–	1,648,192	–	1,648,192	–
	–	920,271	–		920,271
End of service gratuity transferred to subsidiary	–	–	–	–	–
	–	31,356	–		31,356

	Parent company Rs Crore	Subsidiaries Rs Crore	Directors Rs Crore	2011 Rs Crore	2010 Rs Crore
Sales	–	9.94	–	9.94	–
	–	–	–		–
Purchases	26.76	39.09	–	65.85	47.59
	31.51	16.08	–		
Royalty expenses (included in selling expenses)	2.78	–	–	2.78	–
	2.78	–	–		2.78
Salaries and benefits	–	–	0.76	0.76	–
	–	–	0.84		0.84
End-of-service gratuity	–	–	0.02	0.02	–
	–	–	0.02		0.02
Interest expenses	0.25	–	–	0.25	–
	0.51	–	–		0.51
Bank guarantee charges	0.57	–	–	0.57	–
	0.50	–	–		0.50
Operating lease expenses charged	–	0.57	–	0.57	–
	–	0.21	–		0.21
Interest income	–	2.00	–	2.00	–
	–	1.13	–		1.13
End of service gratuity transferred to subsidiary	–	–	–	–	–
	–	0.04	–		0.04

The establishment also provides fund to/receives fund from related as working capital facilities at floating rate of interest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
11. CASH AND CASH EQUIVALENTS				
Cash and cheques on hand*	98,680	73,356	0.12	0.09
Bank balances in Current account	1,299,875	171,097	1.58	0.21
	1,398,555	244,453	1.70	0.30

* Includes remittance in transit of AED 464,106 (previous year AED Nil)

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
12. BANK BORROWINGS				
Term loan	62,743,403	36,923,700	76.16	45.15
Overdraft	15,827,403	7,535,650	19.21	9.22
	78,570,806	44,459,350	95.37	54.37
An analysis by bank of amounts outstanding is as follows:				
Barclays Bank	37,032,553	36,923,700	44.95	45.15
HSBC UK	25,710,850	–	31.21	–
Standard Chartered Bank	15,827,403	7,535,650	19.21	9.22
	78,570,806	44,459,350	95.37	54.37

Notes

- Term loan are secured by corporate guarantee of the parent company and are payable within one year from the date of loan.
- Bank overdraft is secured against promissory note for US\$ 4,800,000, stand-by letter of credit for US\$ 5,000,000 from Standard Chartered Bank in India indemnities covering trade and forex facilities and corporate guarantee from Kaya Middle East FZE.

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
13. TRADE AND OTHER PAYABLES				
Trade payables	17,678,402	9,857,245	21.46	12.05
Accruals	10,561,214	14,727,449	12.82	18.01
	28,239,616	24,584,694	34.28	30.06

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
14. PROVISION FOR STAFF END-OF-SERVICE GRATUITY				
Opening balance	292,729	189,313	0.36	0.23
Provision for the year	200,904	150,798	0.24	0.18
Transfer to subsidiary company	–	(31,356)	–	(0.04)
Paid during the year	(56,899)	(16,026)	(0.07)	(0.02)
Closing balance	436,734	292,729	0.53	0.35

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
15. SHARE CAPITAL				
Issued and Paid up :				
22 shares of AED 1,000,000 each (previous year 22 shares of AED 1,000,000 each)	22,000,000	22,000,000	26.71	26.90

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

16. LOAN FROM A PARENT COMPANY

This represents interest bearing long term loan received from parent company with no fixed repayment schedule.

17. MANAGEMENT OF CAPITAL

The establishment's objectives when managing capital are to ensure that the establishment continues as a going concern and to provide the shareholder with a rate of return on its investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position together with shareholders loan and amounts due to/from related parties. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The establishment is subject to externally imposed capital requirements a per provisions of the Implementing Regulations NO. 1/92 issued by the Jabel Ali Free Zone Authority and Facility agreements with banks. The establishment has complied with all the capital requirements to which it is subject.

Funds generated from internal accruals together with funds received from related parties net of funds provided are related parties retained in the business to limit bank borrowings within covenants and according to the business requirements and maintain capital at desired levels. The nature of such covenants is set out in Note 12.

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
18. STAFF COSTS				
Staff salaries and benefits	6,929,351	4,492,866	8.41	5.49
Staff end-of-service gratuity	200,904	150,798	0.24	0.18
	7,130,255	4,643,664	8.65	5.67
19. OTHER OPERATING EXPENSES				
Operating lease expenses	619,829	300,497	0.75	0.37
Loss on sale of property, plant and equipment	–	2,048	–	–
Selling expenses	35,814,170	36,244,661	43.47	44.32
Exchange losses	–	14,874	–	0.02
Other expenses	6,904,563	6,386,535	8.38	7.81
	43,338,562	42,948,615	52.60	52.52
20. INTEREST INCOME				
On staff advance	–	39,513	–	0.05
On long term loans to subsidiary	1,648,192	920,271	2.00	1.13
	1,648,192	959,784	2.00	1.18
21. FINANCE COSTS				
On bank loans and overdrafts	1,614,081	1,381,493	1.96	1.69
On loan from a parent company	206,562	416,181	0.25	0.51
	1,820,643	1,797,674	2.21	2.20

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
22. CASH (USED IN) / GENERATED FROM OPERATIONS				
(Loss) / Profit for the year	(11,988,110)	3,853,176	(14.55)	4.71
Adjustments for :				
Depreciation of property, plant and equipment	121,759	27,700	0.15	0.03
Loss on sale of property, plant and equipment	–	2,048	–	–
Finance costs	1,820,643	1,797,674	2.21	2.20
Interest income	(1,648,192)	(959,784)	(2.00)	(1.17)
Operating (loss) / profit before changes in operating assets and liabilities	(11,693,900)	4,720,814	(14.19)	5.77
Decrease in inventories	–	88,106	–	0.11
Increase in trade and other receivables	(5,684,360)	(4,369,312)	(6.90)	(5.34)
Increase in trade and other payables	3,654,922	9,134,676	4.44	11.17
Increase in staff gratuity provision	144,005	103,416	0.17	0.13
	(13,579,333)	9,677,700	(16.48)	11.84

23. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	Loans and receivables		At amortised cost	
	2011 AED	2010 AED	2011 AED	2010 AED
Non-current related party receivables	65,795,642	47,031,898	–	–
Trade and other receivables	27,347,942	23,768,214	–	–
Cash and cash equivalents	1,398,555	244,453	–	–
Bank borrowings	–	–	52,859,956	44,459,350
Trade and other payables	–	–	28,239,616	24,584,694
Loan from parent company	–	–	2,472,645	2,495,639
	94,542,139	71,044,565	83,572,217	71,539,683

	Loans and receivables		At amortised cost	
	2011 Rs. Crore	2010 Rs. Crore	2011 Rs. Crore	2010 Rs. Crore
Non-current related party receivables	79.87	57.52	–	–
Trade and other receivables	33.20	29.07	–	–
Cash and cash equivalents	1.70	0.30	–	–
Bank borrowings	–	–	64.17	54.37
Trade and other payables	–	–	34.28	30.06
Loan from parent company	–	–	3.00	3.05
	114.77	86.89	101.45	87.48

Management of risk

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks.)

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the establishment's credit risk

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the establishment, issued by high credit quality financial institutions.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

The establishment buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the UAE Dirham is pegged.

Borrowing facilities are regularly reviewed to ensure that the establishment obtains the best available pricing, terms and conditions on its borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets that potentially expose the establishment to concentrations of credit risk comprise principally non-current loans receivable, bank accounts and trade and other receivables.

The establishment's bank accounts are placed with high credit quality financial institutions.

Non-current loans and trade and other receivables are stated net of the allowance for doubtful recoveries.

At the reporting date 82% of trade receivables were due from four customers (previous year 89% due from five customers).

The establishment's customers comprise duly appointed distributors of healthcare products. At the reporting date, the establishment's maximum exposure to credit risk from such receivables situated outside the UAE is as follows.

	2011 AED	2010 AED	2011 Rs Crore	2010 Rs Crore
Asian Countries	284,997	–	0.35	–
Other Middle East Countries	17,726,947	15,922,505	21.52	19.47

Currency risk

There are significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

Interest rate risk

Loan from a parent company and long term loans to subsidiary companies (namely, MEL Consumer Care - Wind and Marico Malasia SDN BHD) are subject to fixed interest rates at levels generally obtained in UAE and are therefore exposed to fair value interest rate risk, Long term loans to subsidiary companies (namely, Kaya Middle East FZE) and bank borrowings are subject to floating interest rates at levels generally obtained in the UAE or are linked to LIBOR and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rates had been 1% higher or lower interest expense on variable rate debt would have been AED 782,174 (previous year AED 442,356) higher or lower and interest income on variable rate loans and advances would have been AED 520,725 (previous year AED 333,088) higher or lower resulting in equity being higher or lower by AED 261,449 (previous year AED 109,268)

Fair values

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of establishment's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values, except for long term loan to a wholly owned subsidiary and loan from parent company which due to their terms, has fair value lower than the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

24. OPERATING LEASE COMMITMENTS

The establishment has entered into non-cancellable operating leases for five years. The total of the future lease payments is as follows :

	2011	2010	2011	2010
	AED	AED	Rs Crore	Rs Crore
Not later than one year	180,188	208,691	0.22	0.26
Between one and five years	758,700	834,765	0.92	1.02
	<u>938,888</u>	<u>1,043,456</u>	<u>1.14</u>	<u>1.28</u>

25. OTHER CONTRACTED COMMITMENTS

	2011	2010	2011	2010
	AED	AED	Rs Crore	Rs Crore
For acquisition, construction or enhancement of property, plant and equipment	<u>-</u>	<u>450,000.00</u>	<u>-</u>	<u>0.55</u>

For MARICO MIDDLE EAST FZE

Date : 14 April 2010

DIRECTOR

KAYA MIDDLE EAST FZE

Board of Directors

Harsh Mariwala

Milind Sarwate

Ajay Pahwa

Samir Srivastav

S. Mohan

Secretary, Manager, Negotiator

S. Mohan

Registered Office

Office Bldg 2, F-30, P.O. Box 41756,
Hamriyah Free Zone, Sharjah, UAE

Auditors

M/s. Pannell Kerr Forster
Chartered Accountants

Bankers

Standard Chartered Bank

Legal Advisors

M/s. Pannell Kerr Forster
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

TO

THE SHAREHOLDER OF KAYA MIDDLE EAST FZE

Report on the Financial Statements

We have audited the accompanying financial statements of KAYA MIDDLE EAST FZE, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 3 to 19.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of KAYA MIDDLE EAST FZE as of 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3 (a) to the financial statements, which states that as at the reporting date, the establishment has accumulated losses of AED 13,183,210 and net deficit of AED 13,033,210 in equity funds. However, the ultimate parent company has agreed to continue with the operation of the establishment and the ultimate parent company is taking appropriate measures to ensure profitable operations of the establishment. Also, the ultimate parent company has agreed to provide continuing financial support to the establishment to enable it to discharge its liabilities as and when they fall due for payment. Accordingly, these financial statements have been prepared on a going concern basis.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We further confirm that the financial statements comply with the Implementing Rules and Regulations issued by the Hamriya Free Zone Authority pursuant to Sharjah Emiree Decree No, 6 of 1995.

PANNELL KERR FORSTER**Auditor**

Sharjah, United Arab Emirates

21 April 2011

BALANCE SHEET

	Notes	As At 31 March, 2011			
		2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
NON-CURRENT ASSETS					
Property, plant and equipment	7	17,503,581	10,504,855	21.25	12.85
Capital advance	8	2,627,671	990,081	3.19	1.21
		<u>20,131,252</u>	<u>11,494,936</u>	<u>24.44</u>	<u>14.06</u>
CURRENT ASSETS					
Inventories	9	6,283,123	2,394,969	7.63	2.93
Trade and other receivables	10	17,236,441	6,673,510	20.92	8.16
Cash and cash equivalents	11	1,769,208	1,341,886	2.15	1.64
		<u>25,288,772</u>	<u>10,410,365</u>	<u>30.70</u>	<u>12.73</u>
TOTAL ASSETS		<u>45,420,024</u>	<u>21,905,301</u>	<u>55.14</u>	<u>26.79</u>
CURRENT LIABILITIES					
Book overdraft		1,070,700	–	1.30	–
Trade and other payables	12	10,905,837	990,358	13.24	1.21
Amounts due to a related party	13	2,202,167	656,108	2.67	0.80
		<u>14,178,704</u>	<u>1,646,466</u>	<u>17.21</u>	<u>2.01</u>
NON-CURRENT LIABILITIES					
Provision for staff end-of-service gratuity	14	1,428,404	1,230,366	1.73	1.50
SHAREHOLDER'S FUNDS					
Share capital	15	150,000	150,000	0.18	0.18
Accumulated losses		(13,183,210)	(4,945,649)	(16.00)	(6.05)
Deficit in equity		(13,033,210)	(4,795,649)	(15.82)	(5.87)
Loan from a shareholder	16	42,846,126	23,824,118	52.01	29.13
		<u>29,812,916</u>	<u>19,028,469</u>	<u>36.19</u>	<u>23.26</u>
TOTAL EQUITY AND LIABILITIES		<u>45,420,024</u>	<u>21,905,301</u>	<u>55.13</u>	<u>26.77</u>

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

The report of the independent auditor is set forth on pages 1 and 2.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Authorised for issue by the directors on 18 April 2011

For KAYA MIDDLE EAST FZE

Date: 18 April 2011

Director

Director

Note: The exchange rate used to convert AED to Rs

STATEMENT COMPREHENSIVE INCOME

	Notes	Year ended 31 st March 2011			
		2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
REVENUE		46,518,954	45,726,871	56.47	55.92
Direct costs	18	(34,468,413)	(27,902,031)	(41.84)	(34.12)
GROSS PROFIT		12,050,541	17,824,840	14.63	21.80
Other operating income		77,820	328,287	0.09	0.40
Selling and marketing expenses		(5,183,810)	(5,439,093)	(6.29)	(6.65)
Administrative and general expenses	19	(14,221,989)	(13,283,385)	(17.26)	(16.24)
LOSS FROM OPERATING ACTIVITIES		(7,277,438)	(569,351)	(8.83)	(0.69)
Finance costs	20	(960,123)	(610,636)	(1.17)	(0.75)
LOSS FOR THE YEAR		(8,237,561)	(1,179,987)	(10.00)	(1.44)
Other comprehensive income		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(8,237,561)	(1,179,987)	(10.00)	(1.44)

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

The report of the independent auditor is set forth on pages 1 and 2.

For KAYA MIDDLE EAST FZE

Date: 18 April 2011

Director

Director

Note: The exchange rate used to convert AED to Rs.

STATEMENT OF CHANGES IN EQUITY

	Share capital AED	Accumulated losses AED	Total AED	Share capital In Rs. Crore	Accumulated losses In Rs. Crore	Total In Rs. Crore
As at 31.3.2009	150,000	(3,765,662)	(3,615,662)	0.18	(4.57)	(4.39)
Total comprehensive income for the year	–	(1,179,987)	(1,179,987)	–	(1.43)	(1.43)
As at 31.03.2010	150,000	(4,945,649)	(4,795,649)	0.18	(6.00)	(5.82)
Total comprehensive income for the year	–	(8,237,561)	(8,237,561)	–	(10.00)	(10.00)
As at 31.03.2011	150,000	(13,183,210)	(13,033,210)	0.18	(16.00)	(15.82)

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

The report of the independent auditor is set forth on pages 1 and 2.

For KAYA MIDDLE EAST FZE

Date: 18 April 2011

Director

Director

Note: The exchange rate used to convert AED to Rs.

CASH FLOW STATEMENT

	Notes	Year ended 31 st March 2011			
		2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
Cash flows from operating activities					
Cash (used in) / generated from operations	22	(8,365,863)	159,222	(10.16)	0.19
Finance costs		(960,123)	(610,636)	(1.17)	(0.75)
Net cash used in operating activity		(9,325,986)	(451,414)	(11.33)	(0.56)
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		-	16,750	-	0.02
Purchase of property, plant and equipment		(10,247,869)	(4,505,216)	(12.44)	(5.51)
Advance for purchase of property, plant and equipment		(1,637,590)	(990,081)	(1.99)	(1.21)
Net cash used in investing activities		(11,885,459)	(5,478,547)	(14.43)	(6.70)
Cash flows from financing activities					
increase / (Decrease) in amounts due to related parties		1,546,059	(452,752)	1.88	(0.55)
Receipt of loan from shareholder		19,022,008	6,629,057	23.09	8.11
Net cash from financing activities		20,568,067	6,176,305	24.97	7.56
Net increase in cash and cash equivalents		(643,378)	246,344	(0.79)	0.30
Cash and cash equivalents at beginning of year		1,341,886	1,095,542	1.63	1.34
Cash and cash equivalents at end of year	23	698,508	1,341,886	0.84	1.64

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

The report of the independent auditor is set forth on pages 1 and 2.

For KAYA MIDDLE EAST FZE

Date: 18 April 2011

Director

Director

Note: The exchange rate used to convert AED to Rs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1 LEGAL STATUS AND BUSINESS ACTIVITY

- a) **KAYA MIDDLE EAST FZE** was incorporated in Sharjah Hamriyah Free Zone on 25 December 2005 as a Free Zone Establishment with limited liability in pursuant to Emirate Decree No 6 of 1995 of H. H. Sheikh Dr. Sultan Bin Mohammed Al-Qassimi, Ruler of Sharjah. The principal place of business is P. O. Box 41756, Sharjah, UAE. The establishment commenced operations on 25 December 2005.
- b) The establishment is engaged in the business of providing products and services in the area of skin care treatment and aesthetics and import, export, trading in skin care machinery, consumables and products and providing related services.
- c) These financial statements include the assets, liabilities and the result of operations of skin care clinics operating in the United Arab Emirates, Sultanate of Oman and Kingdom of Saudi Arabia under the local sponsorships.
- d) The parent company is "Marico Middle East FZE" a company registered in the Jebel Ali Free Zone, UAE. The ultimate parent company is Marico Limited, a company registered in India.

2 FREE ZONE AUTHORITY REGULATIONS

As the net assets of the establishment fall below 75% of its share capital, in accordance with Implementation Rules and Regulation issued by the Hamriya Free Zone Authority pursuant to Sharjah Emiree Decree NO.6 of 1995 of H.H. Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah, the directors have remedied the situation and have introduced funds by way of shareholders loan.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) Basis of preparation

The financial statements are presented in UAE Dirhams and prepared using historical cost Convention, and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2010, and the requirements of the Implementing Rules and Regulations issued by the Hamriya Free Zone Authority.

As at reporting date, the establishment has accumulated losses of AED 13,183,210 and net deficit of AED 13,033,210 in equity funds. However, the ultimate parent company has agreed to continue with the operation of the establishment and the ultimate parent company is taking appropriate measures to ensure profitable operations of the establishment. Also, the ultimate parent company has agreed to provide continuing financial support to the company to enable it to discharge its liabilities as and when they fall due for payment. Accordingly, these financial statements have been prepared on a going concern basis.

b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight line method over the estimated useful lives of the assets as follows:

Clinic interior decoration	3 to 7 years
Machinery and clinic equipments	1 to 7 years
Office furniture, fixtures and equipment	2 to 4 years
Motor vehicles	5 years

Capital work in progress is not depreciated. This will be depreciated from the date the relevant assets are ready for use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

An assessment of depreciation method, useful lives and residual values are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

c) **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is arrived at using the Weighted Average Cost (WAC) method and comprises invoice value plus applicable landing charges less discounts. Net realizable value is based on estimated selling price less any estimated cost of completion and disposal.

d) **Staff end-of-service gratuity**

Provision is made for end-of-service gratuity payable to the staff at the reporting date in accordance with the local labour laws.

e) **Revenue**

Revenue represents the amount invoiced, net of discounts and returns, for goods delivered and services rendered during the year.

f) **Leases**

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

g) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment net of temporary book overdrafts.

i) **Financial instruments**

Financial assets and financial liabilities are recognised when, and only when, the establishment becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised 'when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Current financial assets that have fixed or determinable payments and for which there is no active market. which comprise trade and other receivables are classified as loans and receivables and stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and accruals thereof are recognised in profit or loss

Current and non-current financial liabilities, which comprise book overdraft, trade and other payables, related party payables and shareholder's loan account are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

4 SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows

Impairment

At each reporting date, management conducts an assessment of property, plant, equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

5 KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Inventory provisions

Management regularly undertakes a review of the establishment's inventory, stated at AED 6,282,123 (previous year AED 2,394,969) in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Doubtful debt provisions

Management regularly undertakes a review of the amounts of loans and receivables owed to the establishment from third parties, (see Note 10) and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant, equipment and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service gratuity

The establishment computes the provision for the liability to staff end-of-service gratuity stated at AED 1,428,404 (previous year AED 1,230,366), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

6 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the company are as follows. Their adoption has resulted in presentation and disclosure changes only:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

Improvements to IFRS

- * IAS 1: Presentation of Financial Statements
- * IAS 7: Statement of Cash Flows
- * IAS 17: Leases
- * IAS 18: Revenue
- * IAS 36: Impairment of Assets
- * IAS 39 Financial Instruments: Recognition and Measurement

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the financial statements have been issued by the IASB prior to the date the financial statements were authorised for issue but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods. It is anticipated that their adoption in the relevant accounting periods will have an impact only on presentation and disclosures within the financial statements:

- * Improvements to IFRS
- * IAS 24: Related Party Disclosures (1 January 2011)
- * Improvements to IFRS
 - o IAS1 Presentation of Financial Statements (1 January 2010)
 - o IFRS 7: Financial Instruments: Disclosure (1 January 2011)
- * IFRS 9: Financial Instruments (1 January 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

7 PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Clinic interior decoration	Machinery and clinic equipments	Office furniture fixtures equipments	Motor vehicles	Total
	AED	AED	AED	AED	AED	AED
Cost						
As at 1 April 2009	2,615,055	4,937,822	6,794,998	59,209	99,045	14,506,129
Additions	914,228	1,059,400	2,366,911	60,677	104,000	4,505,216
Transfers	(2,585,465)	1,933,760	543,621	108,084	–	–
Adjustment on disposals	–	–	–	–	(47,045)	(47,045)
Write offs (refer note below)	–	–	(903,883)	–	–	(903,883)
As at on 31 March 2010	943,818	7,930,982	8,801,647	227,970	156,000	18,060,417
Additions	3,428,332	1,297,375	2,894,747	2,548,985	78,430	10,247,869
Transfers	(894,058)	10,000	208,742	675,316	–	–
Write offs (refer note below)	–	(354,091)	(645,748)	–	–	(999,839)
As at on 31 March 2011	3,478,092	8,884,266	11,259,388	3,452,271	234,430	27,308,447
Accumulated depreciation and impairment losses						
As at 1 April 2009	–	2,011,743	2,231,142	21,782	20,866	4,285,533
Depreciation	–	1,649,945	1,508,329	49,456	27,004	3,234,734
Adjustment on disposal	–	–	–	–	(25,874)	(25,874)
Impairment losses	–	142,595	–	–	–	142,595
Adjustment relating write off	–	–	(81,426)	–	–	(81,426)
As at 31 March 2010	–	3,804,283	3,658,045	71,238	21,996	7,555,562
Depreciation	–	1,342,910	1,569,265	243,152	30,068	3,185,395
Adjustment relating write off	–	(250,611)	(685,480)	–	–	(936,091)
As at 31 March 2011	–	4,896,582	4,541,830	314,390	52,064	9,804,866
Net book values						
As at 1 April 2009	2,615,055	2,926,079	4,563,856	37,427	78,179	10,220,596
As at 31 March 2010	943,818	4,126,699	5,143,602	156,732	134,004	10,504,855
As at 31 March 2011	3,478,092	3,987,684	6,717,558	3,137,881	182,366	17,503,581

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

7 PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Clinic interior decoration	Machinery and clinic equipments	Office furniture fixtures equipments	Motor vehicle	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Cost						
As at 1 April 2009	3.17	5.99	8.25	0.07	0.12	17.60
Additions	1.11	1.29	2.87	0.07	0.13	5.47
Transfers	(3.14)	2.35	0.66	0.13	–	–
Adjustment on disposals	–	–	–	–	(0.06)	(0.06)
Write offs (refer note below)	–	–	(1.10)	–	–	(1.10)
As at 31.3.2010	1.14	9.63	10.68	0.27	0.19	21.91
Depreciation	4.16	1.57	3.51	3.09	0.10	12.43
Adjustment relating write off	(1.09)	0.01	0.25	0.82	–	(0.01)
Write offs (refer note below)	–	(0.43)	(0.78)	–	–	(1.21)
As at 31.3.2011	4.21	10.78	13.66	4.18	0.29	33.12
Accumulated depreciation and impairment losses						
As at 1 April 2009	–	2.44	2.71	0.03	0.03	5.21
Depreciation	–	2.00	1.83	0.06	0.03	3.92
Adjustment on disposal	–	–	–	–	(0.03)	(0.03)
Impairment losses	–	0.17	–	–	–	0.17
Adjustment relating write off	–	–	(0.10)	–	–	(0.10)
As at 31.3.2010	–	4.61	4.44	0.09	0.03	9.17
Depreciation	–	1.63	1.90	0.30	0.04	3.87
Adjustment relating write off	–	(0.30)	(0.83)	–	–	(1.13)
As at 31.3.2009	–	5.94	5.51	0.39	0.07	11.91
Net book values						
As at 1 April 2009	3.17	3.55	5.54	0.05	0.09	12.41
As at 31 March 2010	1.15	5.01	6.24	0.19	0.16	12.75
As at 31 March 2011	4.22	4.84	8.15	3.81	0.22	21.25

Notes

- Capital work-in-progress relates to interior decoration of clinics amounting to AED 1,849,090 (Previous year AED 550,000), machinery and clinic equipment amounting to AED 656,195 (Previous year AED 393,818) and office furniture, fixtures, and equipment amounting to AED 972,807 (Previous year AED Nil).
- Pre-operative expenses incurred in the previous year on setting up of clinics were capitalised and included in machinery and clinic equipment. Carrying value of such expenses as at 31.3.2009 was AED 569,846 and was included in machinery and clinic equipment. The same has been written off during the previous year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

8 CAPITAL ADVANCES

Capital advances represent advances paid for interior decoration of clinics amounting to

AED 1,109,023 (Previous year AED 735,750), machinery and clinic equipment amounting to AED 1,463,908.

(Previous year AED 254,331) and office furniture, fixtures and equipment amounting to AED 54,740 (Previous year AED Nil)

	2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
9 INVENTORIES				
Consumable and spares	6,283,123	2,394,969	7.63	2.93
10 TRADE AND OTHER RECEIVABLES				
Trade receivables	1,466,984	223,567	1.78	0.27
Advances	9,377,943	2,506,808	11.38	3.07
Prepayments	4,296,424	2,834,337	5.22	3.47
Deposits	2,095,090	1,108,798	2.54	1.36
	17,236,441	6,673,510	20.92	8.17

An age analysis of trade receivables that are past due but not impaired is as follows:

0 months to 3 months	–	7,275.00	–	0.01
Over 3 months	–	2525.00	–	–

At the reporting date there are no trade receivables considered to be impaired due to non-recovery or perceived difficulty in recovery.

Trade receivables not past due and not impaired	1,466,984	213,767	1.78	0.26
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11 CASH AND CASH EQUIVALENTS

Cash on hand	532,482	652,181	0.65	0.80
Bank balances in current account	1,236,726	689,705	1.50	0.84
	1,769,208	1,341,886	2.15	1.64

12 TRADE AND OTHER PAYABLES

Trade payables	–	626,476	–	0.77
Accruals	1,137,589	363,882	1.38	0.44
Advance received from customer	9,768,248	–	11.86	–
	10,905,837	990,358	13.24	1.21

13 RELATED PARTIES

The establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and at prices determined by the management

Related parties comprise the parent company, the ultimate parent company, companies under common ownership and/or common management control, fellow subsidiaries and directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

At the reporting date significant balances with related parties were as follows:

	Parent company	Ultimate Parent company	Companies under common ownership/ management control	Directors	Total 2011	Total 2010
	AED	AED	AED	AED	AED	AED
Included in Trade and other receivables	–	–	–	254,870	254,870	–
	–	–	–	204,586	–	204,586
Disclosed as due to a related party	–	–	2,202,167	–	2,202,167	–
	–	2,540	653,568	–	–	656,108
Loan from shareholder	42,846,126	–	–	–	42,846,126	–
	23,824,118	–	–	–	–	23,824,118
	Parent company	Ultimate Parent company	Companies under common ownership/ management control	Directors	Total 2011	Total 2010
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Included in Trade and other receivables	–	–	–	0.31	0.31	–
	–	–	–	0.25	–	0.25
Disclosed as due to a related party	–	–	2.67	–	2.67	–
	–	–	0.80	–	–	0.80
Loan from shareholder	52.05	–	–	–	52.05	–
	29.13	–	–	–	–	29.13

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in Notes 16 and 24.

Significant transactions with related parties during the period were as follows:

	Parent company	Ultimate Parent company	Companies under common ownership/ management control	Directors	Total 2011	Total 2010
	AED	AED	AED	AED	AED	AED
Purchases	–	–	617,981	–	617,981	–
	–	–	156,657	–	–	156,657
Directors salaries & benefits	–	–	–	1,292,764	1,292,764	–
	–	–	–	1,346,107	–	1,346,107
End of service gratuity	–	–	–	40,580	40,580	–
	–	–	–	34,908	–	34,908
Finance costs	960,123	–	–	–	960,123	–
	610,636	–	–	–	–	610,636
Recharge of expenses	287,883	–	1,276,521	–	1,564,404	–
	–	2540	252,784	–	–	255,324
Operating lease expenses	471,935	–	–	–	471,935	–
	175,008	–	–	–	–	175,008
Staff end of service gratuity transferred from parent company	–	–	–	–	–	–
	31,356	–	–	–	–	31,356

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	Parent company	Ultimate Parent company	Companies under common ownership/ management control	Directors	Total 2011	Total 2010
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Purchases	–	–	0.75	–	0.75	–
	–	–	0.19	–	–	0.19
Directors salaries & benefits	–	–	–	1.57	1.57	–
	–	–	–	1.65	–	1.65
End of service gratuity	–	–	–	0.05	0.05	–
	–	–	–	0.04	–	0.04
Finance costs	1.17	–	–	–	1.17	–
	0.75	–	–	–	–	0.75
Recharge of expenses	0.35	–	1.55	–	1.90	–
	–	–	0.31	–	–	0.31
Operating lease expenses	0.57	–	–	–	0.57	–
	0.21	–	–	–	–	0.21
Staff end of service gratuity transferred from parent company	–	–	–	–	–	–
	0.04	–	–	–	–	0.04

The establishment also provides funds to/receives funds from related parties as working capital facilities, at floating rate of interest.

	2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
14 PROVISION FOR STAFF END-OF-SERVICE GRATUITY				
Opening balance	1,230,367	798,952	1.49	0.98
Provision for the year	398,436	467,711	0.48	0.57
Transferred from parent company	–	31,356	–	0.04
Paid during the year	(200,399)	(67,653)	(0.24)	(0.08)
Closing balance	<u>1,428,404</u>	<u>1,230,366</u>	<u>1.73</u>	<u>1.51</u>
15 SHARE CAPITAL				
Issued and paid up:				
1 share of AED 150,000	150,000	150,000	0.18	0.18

16 LOAN FROM SHAREHOLDER

This represents long-term loan given by the shareholder bearing floating interest rate but with no fixed repayment schedule. It is not the intention of the shareholder to withdraw the loan in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

17 MANAGEMENT OF CAPITAL

The establishment's objectives when managing capital are to ensure that the establishment continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

Capital comprises equity funds as presented in the statement of financial position together with shareholder's loan and amounts due to related parties. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The company is subject to externally imposed capital requirements, as per provision of the Implementing Rules and Regulations issued by the Hamriya Free Zone Authority pursuant to Sharjah Emiree Decree no.6 of 1995. The establishment has complied with all capital requirement to which it is subject.

Funds generated from internal accruals together with funds received from related parties are retained in the business, according to the business requirements and to maintain capital at desired levels.

18 DIRECT COSTS

	2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
Consumables and stores consumed	8,083,346	6,521,003	9.81	7.97
Salaries and benefits	18,265,565	13,988,807	22.17	17.11
End-of service gratuity	317,483	397,481	0.39	0.49
Operating lease expenses	4,744,298	3,836,466	5.76	4.69
Depreciation (Note 20)	3,057,721	3,158,274	3.71	3.86
	34,468,413	27,902,031	41.84	34.12

19 ADMINISTRATIVE EXPENSES

Directors salaries and benefits	1,292,764	1,346,107	1.57	1.65
End of service gratuity	40,580	34,908	0.05	0.04
Staff salaries and benefits	3,295,986	2,317,360	4.00	2.83
Staff end-of-service gratuity	40,373	35,322	0.05	0.04
Operating lease expenses	437,192	175,008	0.53	0.21
Travelling expenses	3,018,783	2,869,418	3.66	3.51
Other administration and general expenses	5,904,889	5,459,329	7.17	6.68
Loss on sale of property, plant and equipment (net)	63,748	4,421	0.08	0.01
Depreciation (Note 21)	127,674	76,460	0.15	0.09
Preoperative expenses under property, plant and equipment written off	-	822,457	-	1.01
Impairment of property, land and equipment (Note 7)	-	142,595	-	0.17
	14,221,989	13,283,385	17.26	16.24

20 FINANCE COST

Finance cost represents interest paid to related party

21 DEPRECIATION

Allocated to direct costs (Note 18)	3,057,721	3,158,274	3.71	3.86
Allocated to administrative expenses (Note 19)	127,674	76,460	0.15	0.09
	3,185,395	3,234,734	3.86	3.95

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

22 CASH (USED IN) / GENERATED FROM OPERATIONS

	2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
Loss for the year	(8,237,561)	(1,179,987)	(10.00)	(1.44)
Adjustments for:				
Depreciation of property, plant and equipment	3,185,395	3,234,734	3.87	3.96
Write off of property, plant and equipment	–	822,457	–	1.01
Loss on sale of property, plant and equipment (net)	63,748	4,421	0.08	0.01
Impairment of property, plant and equipments	–	142,595	–	0.17
Finance costs	960,123	610,636	1.17	0.75
Operating (loss)/profit before changes in operating assets and liabilities	(4,028,295)	3,634,856	(4.88)	4.46
Increase in inventories (Including goods in transit)	(3,888,154)	(804,227)	(4.72)	(0.98)
Increase in trade and other receivables	(10,562,931)	(1,426,872)	(12.82)	(1.74)
(Decrease)/increase in trade and other payables	9,915,479	(1,675,949)	12.04	(2.05)
Increase in staff gratuity provision	198,038	431,414	0.24	0.53
	(8,365,863)	159,222	(10.14)	0.22

23 RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as disclosed in the statement of financial position	1,769,208	1,341,886	2.15	1.64
Less: Book overdraft	(1,070,700)	–	(1.30)	–
Cash and cash equivalents as disclosed in the cash flow statements	698,508	1,341,886	0.85	1.64

24 FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows

	Loans and receivables		At amortised cost	
	2011 AED	2010 AED	2011 AED	2010 AED
Trade and other receivables	6,350,712	2,440,054	–	–
Cash and cash equivalents	1,769,208	1,341,886	–	–
Book overdraft	–	–	1,070,700	–
Trade and other payable	–	–	10,814,568	899,089
Amounts due to related parties	–	–	2,202,167	656,108
Loan from shareholder	–	–	42,846,126	23,824,118
	8,119,920	3,781,940	56,933,561	25,379,315

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	Loans and receivables		At amortised cost	
	2011 Rs. Crore	2010 Rs. Crore	2011 Rs. Crore	2010 Rs. Crore
Trade and other receivables	7.71	2.98	–	–
Cash and cash equivalents	2.15	1.64	–	–
Book overdraft	–	–	1.30	–
Trade and other payable	–	–	13.13	1.10
Amounts due to related parties	–	–	2.67	0.80
Loan from shareholder	–	–	52.01	29.13
	9.86	4.62	69.11	31.03

Management of risk

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The Primary risk to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (Including currency risks and cash flow interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow up.

Management continuously monitors its cash flows to determine its cash requirements in order to manage exposure to liquidity risk.

The establishment buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the UAE Dirham is pegged.

Exposures to the aforementioned risks are detailed below :

Credit risk

Financial assets that potentially expose the establishment to concentrations of credit risk comprise principally bank accounts and trade and other receivables.

The establishment's bank accounts are placed with high credit quality financial institutions.

Trade and receivables are stated net of allowance for doubtful recoveries. At the reporting date, there is no significant concentration of credit risk from receivables situated outside the UAE or from individual customer or by industry.

Interest rate risk

Shareholder's loan is subject to floating interest rate at levels generally obtained in the UAE and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rate had been 1% higher or lower, interest expense on variable rate debt would have been AED 428,461 higher or lower (previous year AED 238,241) resulting in equity being higher or lower by AED 428,461 (previous year AED 238,241).

Currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams, Omani riyal, Saudi riyal or US Dollars to which the Dirham is fixed, except the following :

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	Singapore Dollar		Indian Rupees	
	2011 AED	2010 AED	2011 AED	2010 AED
Amount due to a related party	4,303	–	2,197,864	656,108
	4,303	–	2,197,864	656,108

	Omani riyal		Saudi Riyal	
	2011 Rs. Crore	2010 Rs. Crore	2011 Rs. Crore	2010 Rs. Crore
Amount due to a related party	0.01	–	2.67	0.80
	0.01	–	2.67	0.80

Reasonably possible changes to exchange rates at the reporting date are unlikely to have had a significant impact on profit or equity

Fair values

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial assets and liabilities which are required to be carried at cost or at amortised cost approximate to their fair value except for loan from shareholder which due to its terms, has a fair value lower than carrying value.

25 OPERATING LEASE COMMITMENTS

The establishment has entered into non-cancellable operating leases for rentals. The total of the future lease payments is as follows :

	2011 AED	2010 AED	2011 Rs. Crore	2010 Rs. Crore
Not later than one year	5,326,668	4,818,300	6.47	5.89
Between one and five years	18,817,492	13,160,845	22.84	16.09
Later than five years	569,580	72,500	0.69	0.09

For KAYA MIDDLE EAST FZE

Director

Director

Date: 18 April 2011

MEL CONSUMER CARE SAE

Board of Directors

Debashish Neogi

Milind Sarwate

Vijay Subramaniam

Aditya Shome

Marico Middle East represented by Vijay Subramaniam

Registered Office

5th Floor, 53, Lebanon Street, Mohandseen, Giza, Egypt

Auditors

Moore Stephens

Bankers

HSBC Limited

Legal Advisors

Yasser Maharem Office for Accounting and Auditing

INDEPENDENT AUDITORS' REPORT

To the Shareholders of MEL Consumer Care Company S.A.E.

Report on the financial statements

We have audited the accompanying unconsolidated Financial statements of MEL Consumer Care company SAE, which comprise the unconsolidated balance sheet as at March 31, 2011 and the unconsolidated statements of income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

These financial statements are the responsibility of the company's management. The management is responsible for the preparation and fair presentation of these financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Auditing Standards and the relevant laws and regulations. Those standards require that we comply with ethical requirements to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design Audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control . An audit also includes evaluating the Appropriateness of accounting policies used and the reasonableness of accounting estimates by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of MEL Consumer Care Company -SAE as of March 31, 2010 and of its unconsolidated financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the relevant laws and regulations relating to the preparation of these unconsolidated financial statements.

Emphasis of matter

Without considering that as a qualification, the retained losses reached on 31/03/2011 EGP 9169297 (Rs.6.9 crore) including current years losses which exceed the issued and paid capital, that required extra- ordinary general assembly according to article No.(69) of law No.159 for year 1981 to decide on the continuity of the company or not of the company according to article no.(60) of the articles of association.

Cairo 10/04/2011

Sherin Noureldin
R.A.A 6809
Moore Stephens Egypt.

BALANCE SHEET

As at March 31, 2011

	Note No.	2011 EGP	2010 EGP	2011 Rs. Crore	2010 Rs. Crore
Assets					
Long-Term Assets					
Fixed assets (net)	(5)	17,846	67,846	0.01	0.06
Long-Term Investments	(6)	3,116,358	3,116,358	2.33	2.54
Total Long-Term Assets		3,134,204	3,184,204	2.34	2.60
Current Assets					
Due from related parties	(7)	26,632,003	24,249,384	19.93	19.79
Debtors and other debit balances (net)	(8)	17,834	7,009	0.01	0.01
Cash and Cash equivalents	(9)	3,879	31,429	–	0.03
Total Current Assets		26,653,716	24,287,822	19.94	19.83
Current Liabilities					
Provisions	(10)	234,000	477,074	0.18	0.39
Due to related parties	(11)	38,248,765	35,035,094	28.62	28.59
Creditors and other credit balances	(12)	20,142	15,000	0.02	0.01
Total Current Liabilities		38,502,907	35,527,168	28.82	28.99
Working Capital		(11,849,191)	(11,239,346)	(8.88)	(9.16)
Total Investments		(8,714,987)	(8,055,142)	(6.54)	(6.56)
To be financed as follows :					
Shareholders' Equity					
Issued and paid capital	(13)	250,000	250,000	0.19	0.20
Legal Reserve		204,310	204,310	0.15	0.17
Retained (losses)		(8,509,452)	(7,754,586)	(6.37)	(6.34)
(Losses) for the year		(659,845)	(754,866)	(0.49)	(0.62)
Total Financing Working Capital and Long Term Assets		(8,714,987)	(8,055,142)	(6.51)	(6.59)

The accompanying notes from (1) to (14) form an integral part of these financial statements and are to be read therewith.

Auditor's report "attached"

Debashish Neogi

Chairman

Aditya Shome

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs.7.483/ EGP (Rs. 8.160/ EGP)

INCOME STATEMENT

Unconsolidated income statement For the financial year ended March 31, 2011

For the year ended 31 March 2011				
	From 31/3/2011	From 31/3/2010	From 31/3/2011	From 31/3/2010
Note No.	EGP	EGP	Rs. Crore	Rs. Crore
Net Sales	–	–	–	–
Less:				
Cost of sales	–	–	–	–
Gross (Loss)	–	–	–	–
Add/(Less):				
General and administrative expenses	97,222	729,555	0.07	0.60
Depreciation of fixed assets	50,000	309,290	0.04	0.25
Bank charges	2,421	10,099	–	–
Claim provision	–	313,533	–	0.26
Provision no longer required	(293,421)	(122,158)	(0.22)	(0.10)
Other income	(11,400)	–	(0.01)	–
Exchange rate difference	815,023	(497,987)	0.61	(0.41)
Capital Losses	–	12,534	–	0.01
Total (Losses) of the year	(659,845)	(754,866)	(0.49)	(0.61)

Debashish Neogi

Chairman

Aditya Shome

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs.7.483/ EGP (Rs. 8.160/ EGP)

STATEMENT OF CHANGES IN EQUITY

Unconsolidated changes in shareholders's equity for the financial year ended March 31, 2011

Year ended as of December 31, 2011

Description	Issues & paid capital EGP	Legal Reserve EGP	Retained profit/(losses) EGP	Profit (Loss) for the year EGP	Total EGP
Balance as at 1/04/2009	250,000	204,310	1,838,794	–	2,293,104
Losses of the year	–	–	–	(9,593,380)	(9,593,380)
Balance at 31/03/2010	250,000	204,310	(7,754,586)	–	(7,300,276)
Losses of the year	–	–	–	(754,866)	(754,866)
Balance as at 01/04/2010	250,000	204,310	(8,509,452)	–	(8,055,142)
Losses of the year	–	–	–	(659,845)	(659,845)
Balance as at 31/03/2011	250,000	204,310	(8,509,452)	(659,845)	(8,714,987)

Description	Issues & paid capital Rs. Crore	Legal Reserve Rs. Crore	Retained profit/(losses) Rs. Crore	Profit (Loss) for the year Rs. Crore	Total Rs. Crore
Balance at 31/03/2009	0.19	0.15	1.38	–	1.72
Losses of the year	–	–	–	(7.18)	(7.18)
Balance at 31/03/2010	0.19	0.15	(5.80)	–	(5.46)
Losses of the year	–	–	–	(0.56)	(0.56)
Balance as at 01/04/2010	0.19	0.15	(6.37)	–	(6.03)
Losses of the year	–	–	–	(0.49)	(0.49)
Balance as at 31/03/2011	0.19	0.15	(6.37)	(0.49)	(6.52)

Debashish Neogi

Chairman

Aditya Shome

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs.7.483/ EGP (Rs. 8.160/ EGP)

UNCONSOLIDATED CASH FLOW STATEMENT

For the financial year ended March 31, 2011

	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Cash flows from operating activities				
Net (losses) of the year	(659,845)	(754,866)	(0.49)	(0.62)
Adjustments to reconcile (losses) profit to net cash (used in) operating activities				
Fixed assets depreciation	50,000	309,290	0.04	0.25
Provisions	–	313,533	–	0.26
provision no longer required	(243,074)	(122,158)	(0.18)	(0.10)
Capital losses	–	12,534	–	0.01
	(852,919)	(241,667)	(0.64)	(0.20)
Change in working capital				
Decrease in Clients and notes receivables	–	46,693	–	0.04
Decrease (Increase) in Due from related parties	(2,382,619)	2,947,658	(1.78)	2.41
Decrease (Increase) in Debtors and other debit balances	(10,825)	225,315	(0.01)	0.18
(Decrease) in Suppliers and notes payables	–	(24,824)	–	(0.02)
Increase in Due to related parties	3,213,671	17,178,108	2.40	14.02
Increase (Decrease) in Creditors and other credit balances	5,142	(1,278,320)	0.00	(1.04)
Net cash flows from (used in) operating activities	(27,550)	18,852,963	(0.02)	15.38
Cash flows from investing activities				
Received from sale of fixed assets	–	927,439	–	0.76
Net cash flows (used in) investing activities	–	927,439	–	0.76
Cash flows from financing activities				
Received from credit facilities	–	(19,863,787)	–	(16.21)
Net cash flows (used in) from financing activities	–	(19,863,787)	–	(16.21)
Net change in cash and cash equivalents	(27,550)	(83,385)	(0.02)	(0.07)
Cash and cash equivalents at the beginning of the year	31,429	114,814	0.02	0.09
Cash and cash equivalents as at the end of year	3,879	31,429	0.00	0.03

Debashish Neogi

Chairman

Aditya Shome

Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs.7.483/ EGP (Rs. 8.160/ EGP)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2011

1) The Company's Background and Its Activities

- MEL Consumer Care Company - An Egyptian Joint Stock Company was established under the provisions of law No. 159 of 1981 and its executive regulation. The company was registered in the commercial register under No. 20683 dated October 12, 2006
- The company manufactured its products during the period from October 1st, 2006 till March 31st, 2007 through The Egyptian American Co. for Investment and Industrial Development factories, the company provides the manufacturer with all raw & packing materials, the manufacturing charge is 1.75 % of consumer price for the produced quantities during the period according to manufacturing agreement dated September 13th, 2006 and its amendments dated March 31st, 2007, during the period from April 1st, 2007 the company leased Egyptian American for Investment and Industrial Development factory and produced through it according to lease agreement dated April 1st, 2007, according to this agreement the company is charged by all the manufacturing expenses related to the production. The company stopped production from July 1st, 2007.
- Egyptian American Co. for Investment and Industrial Development distributes all the company's products against distribution charge and managerial charge of 1.75 % & 1.3125% respectively of consumer price for total sales during the period from October 1st, 2006 till March 31st, 2007, Egyptian American Co. for Investment and Industrial Development guarantees the collection from customers according to distributorship agreements dated September 13th, 2006 and its amendments dated March 31st, 2007.

The objective of the company

The company's main objective is to produce the products related to consumer care and skin care at third party's factories, selling and distribute these products.

The company may have an interest or participate in any manner with the companies and others who practice similar activities or may cooperate with the company to achieve its objectives in Egypt or abroad. The company may also merge into the aforementioned entities, purchasing them or to make them affiliated there to according to the provision of law and its executive regulations.

2) Significant accounting policies

2-1- Upholding accounting standards and legal principles

The accompanying financial statements have been prepared in accordance with Egyptian Accounting Standards and the related Egyptian laws and regulation in the light of the International Financial Reporting Standards to process cases weren't stated in the Egyptian Standards.

2-2- Basis of preparation of the unconsolidated financial statements:

- The financial statements have been prepared at Egyptian pound.
- The financial statements have been prepared according to historical cost and continuity presumption.

2-3- Change in accounting principles

The accounting principles comply with those adopted in the previous year.

2-4- Foreign currency transaction

The company maintain its books in Egyptian pound. All transactions denominated in foreign currencies were translated into Egyptian pound at the rate determined on the transaction date, on the balance sheet, the monetary current assets and liabilities are evaluated accordance the rates announced on that date and the differences are charged to income statement.

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2011

2-5- Depreciation of fixed assets

Recognition and preliminary measurement

Buildings, constructions, infrastructures, machines and equipments are booked at historical cost less the accumulated depreciation and any impairment.

The cost include all direct cost for acquisition the assets also cost of getting of it and rearranging the site where assets were present.

Depreciation

Fixed assets are shown in the balance sheet at historical cost, and according to estimated useful life of extra assets in accordance with following rates: -

The Depreciation

Furniture & Office equipment	25%
Vehicles	25%
Computers	50%

2-6- Investment in subsidiary and affiliated companies

Subsidiary and affiliated companies are companies that are under the control of the Company. Such control is achieved when the company is in control of the financial and operation policies of that company for the purpose of obtaining the benefit reaped from its activities. When ascertaining the amount of future voting power and its affect on the control and domination, the company studies all the circumstances and facts that affect the future voting power.

The investment in subsidiary and affiliated companies is recorded as per the acquisition cost. In case that there is a reduction in the fair value below the book value, the book value is amended to reflect the reduced value and it is reflected in the income statement under depletion in the value of investments in subsidiary and affliated companies. In case that there is an appreciation in the fair value, it will be added to the same item to the extent that it has been charged in the income statement for previous periods for each investmen separately.

The accounting for investments in subsidiary and affiliated companies is according to the cost method and the revenues generated from such investment is booked according to the amount collected by the company from profit share of the company invested in which has been achieved after its acquisition.

This is starting from the date of the resolution of the general assembly of the company invested in and that has approved such distribution.

2-7- Accounting for long-term investment

Investments are recorded according to cost. In case that there is a non-temporary (permanent) reduction in the fair value below the book value, then the arnount will be amended accordingly, annually and for each investment separately and it is reflected in the income statement under the item differences in valuation of other financial investments. In case that there is an appreciation in the fair value, it will be added to the same item to the extent that it has been charged in the income statement for previous periods.

2-8- Valuation of financial investments available for sale

It is valued at the end of the financial year with the fair value that reflects the market value and the differences in valuation are reflected in the income statement. Valuation of investments that has lost one of the conditions of its classification as financial notes for sale with its book value while reducing this valuation in case of a reduction in

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2011

it following an objective study including the latest financial statements of the company that issued these notes. The differences in valuation will be reflected in the income statement.

2-9- Impairment in the value of non-financial assets

The book value of the Company's non-financial assets, other than inventory and deferred tax assets is reviewed at the date of each financial position to ascertain the amount of impairment. The Company carries out a regular review to ascertain if there has been impairment in the value of an asset and in case that there is an indicator of such impairment, the resale value is compared to the book value. If the book value is above the resale value, then there is impairment in the value of the asset and the resale value is reduced and the loss is charged in the income statement. The amount of impairment may be returned in case that there is a change in the resale value to the extent that the amount was reduced in the past.

2-10- Impairment in the value of financial assets

On the anniversary of each balance sheet, an objective estimate is carried out to ascertain if there is true indication that any of the assets have been impaired. Once there is a impairment in the value of an asset the loss is recorded only if there are objective proofs that the impairment of the value was due to an incident or more after the initial realization of the asset and that such incident or incidents had an effect that can be evaluated in a reliable manner for the expected future cash flow from the asset. In the case of financial assets that are recorded according to their amortized cost impairment, the loss due to impairment of its value between the book value of such asset and the present value of the future cash flow that has been discounted by the original actual interest rate relating to this asset.

The book value of the financial asset is reduced directly except in case of clients accounts that is reduced using provisions. Any amount that is not to be collected is to be written off from the provision and the amount of the realized loss will be reimbursed either directly or by settling the provisions account. It should be ensured that such reversal will not generate a book value for the asset which is higher than the amortized cost at the date of the writing off of the amount of impairment if such impairment has not been recognized. The amount of write off will be reflected in the income statement.

2-11- Revenue recognition

Revenue is recognized once the service has been carried out and invoice has been issued according to the accrual principle.

Regarding the revenues from dividends due on financial notes and investments in subsidiary companies, this income is recognized once the general assembly has approved the distribution to its investors.

2-12- Provisions

A provision is recognized once the company has a current legal or actual obligation due to a previous incident which is likely to require the use of economic sources to settle such obligation while preparing a valuation of the value of the obligation. The provision are to be reviewed on the anniversary of the balance sheet and amended to reflect the most accurate present valuation and in case that the present value of cash is of essence, then the amount recognized as provision is the present value of the expected expenses to settle the obligation.

2-13- Employees' benefits

Social insurance and pension scheme:-

The Company contributes to the government social insurance system on behalf of employees according to the Social Insurance Law No.79 for 1975 and its amendments.

The employees and Company contribute according to this law with a fixed percentage of their salary and company's obligation is limited to its contribution. The company's contribution is reflected in the income statement according to the accrual principle.

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2011

Employee profit share:-

According to its constitution, the company distributes part of the profits dividends to the employees as per the recommendations stipulated by the Board of Directors and approved by the General Assembly. The employee share of profit will be recognized as distribution of profit in shareholders' equity statement and as an obligation for the period that the company's shareholders approved such distribution.

2-14-Related parties transactions

All transactions with related parties are booked by the company in the same manner as any other normal transaction with other parties.

2-15-Accounting estimates

According to Egyptian Accounting Standards the preparation of the financial statement requires the management to make some approximations and predictions that affect the value of assets, obligations income and expenses during the financial year, The actual amounts could be quite different from these predictions.

2-16-Expenses

All expense, including administrative general expenses, are to be reflected in the income statement for the financial period that such expenses were incurred according to accrual bases.

2-17-Legal reserves

According to law No. 159 year 1981, its executive directives and the constitution of the company. there should be legal reserve of no less 5 % of the profit of the company and such reserve should not be increased once this reserve amount reaches 50% of the company's issued capital.

2-18-Cash flow statements

The cash flow statement will be prepared according to the indirect method.

2-19-Cash and cash equivalents

For the purpose of the cash flows statement, cash and cash equivalents are to be considered cash on hand and at banks, short term fixed deposits, cheques under collection and letters of guarantee cover, if any.

2-20-Comparative figures

Comparative figures are reclassified whenever it is necessary to amend the presentation used during the current period.

3) Financial Instruments

Financial instruments are made up of any contractual agreement that gives the right to financial assets of the company and creates a financial or shareholding obligation to the other side of the contact.

3-1- Debtors

Debtor's balances are booked as per their actual value after deducting the appropriate provision for the amounts that are not expected to be collected.

3-2- Creditors

Creditors' balances are record as per their actual value.

4) Fair value of financial instruments

The financial instruments are represented in monetary assets (cash at banks and on hand, clients & notes receivables and debtors & other debit balances) , monetary liabilities (due to related parties, suppliers and notes payables, creditors and other credit balances) the present values of these financial instruments represent a reasonable estimate to there fair values. The notes to the financial statements includes the significant polices used in recording and measuring significant financial instruments and the related revenues and expenses.

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2011

5) Fixed assets

Represent net fixed assets as of March 31, 2011 amount EGP 17,846 (Rs. 0.013 crores) as follows:-

Description	Furniture & Office equipment EGP	Computers EGP	Vehicles EGP	Total EGP
Cost				
Cost at 1/4/2010	390,388	200,000	445,338	1,035,726
Accumulated Depreciation on 1/04/2010	390,384	132,189	445,307	967,880
Depreciation for the year	–	50,000	–	50,000
Accumulated depreciation on 31/03/2011	390,384	182,189	445,307	1,017,880
Net Fixed assets on 31/03/2011	4	17,811	31	17,846
Net Fixed assets on 31/03/2010	4	67,811	31	67,846

Description	Furniture & Office equipment Rs. Crore	Computers Rs. Crore	Vehicles Rs. Crore	Total Rs. Crore
Cost				
Cost on 1/4/2010	0.29	0.15	0.33	0.78
Accumulated depreciation on 1/4/2010	0.29	0.10	0.33	0.72
Depreciation for the year	–	0.04	–	0.04
Accumulated depreciation on 31/03/2011	0.29	0.14	0.33	0.76
Net Fixed assets on 31/03/2011	0.00	0.01	0.00	0.01
Net Fixed assets on 31/03/2010	0.00	0.06	0.00	0.06

6) Long term investments:

This Item is made up as follows :-

	31/3/2011 EGP	31/3/2010 EGP	31/3/2011 Rs. Crore	31/3/2010 Rs. Crore
Marico Egypt Industries Company (MEI)*	1,506,718	1,506,718	1.13	1.23
Wind company (MEL Consumer Care & Partner)	1,609,640	1,609,640	1.20	1.31
	3,116,358	3,116,358	2.33	2.54

- The Contribution percentage in Marico Egypt industries Company (MEI) is 99%.
- Marico Egypt Industries Company (MEI) is the brand name for Pyramids modern industries.
- The Contribution percentage in Wind Company (MEL Consumer Care & Partner) is 99%.

7) Due from related parties

This Item is made up as follows :-

	31/3/2011 EGP	31/3/2010 EGP	31/3/2011 Rs. Crore	31/3/2010 Rs. Crore
Wind Company (MEL Consumer Care & Partner)	19,910,421	22,172,382	14.90	18.09
Egyptian American Co.For Investment and Industrial Development (EAIIDC)	6,721,582	2,077,002	5.03	1.69
	26,632,003	24,249,384	19.93	19.79

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2011

8) Debtors and other debit balances

This item is made up as follows :-

	31/3/2011 EGP	31/3/2010 EGP	31/3/2011 Rs. Crore	31/3/2010 Rs. Crore
Other Debit Balances	6,259	6,259	0.01	0.01
Prepaid Expenses	11,575	750	0.01	0.00
	17,834	7,009	0.02	0.01

9) Cash and cash equivalents

This item is made up as follows :-

	31/3/2011 EGP	31/3/2010 EGP	31/3/2011 Rs. Crore	31/3/2010 Rs. Crore
HSBC Banks — current accounts - EGP	1,852	15,389	0.00	0.01
HSBC Banks — current accounts - USD	2,027	16,040	0.00	0.01
	3,879	31,429	0.00	0.03

10) Provisions

This item is made up as follows :-

	31/3/2011 EGP	31/3/2010 EGP	31/3/2011 Rs. Crore	31/3/2010 Rs. Crore
Balance as at 1/4/2010	477,075	180,689	0.36	0.15
Add :				
Reconcilliations (Adjust for last year)	71,108	—	0.05	—
- Transferred amounts from creditots & credit balances	—	177,299	—	0.14
- Formed during the year to face the financing expenses	—	246,650	—	0.20
- Also formed during the year to face the salaries and sales tax	—	66,910	—	0.05
	548,183	671,548	0.41	0.55
Less :				
- Bank charges for Marico Limited.	20762	—	0.02	—
- Used during the year in general & administrative expenses	—	72,316	—	0.06
- Provision no longer required and charged to income statement	293,421	122,158	0.22	0.10
Balance as at 31/3/2011	234,000	477,075	0.18	0.39

11) Due from related parties

This Item is made up as follows :-

	31/3/2011 EGP	31/3/2010 EGP	31/3/2011 Rs. Crore	31/3/2010 Rs. Crore
Marico Middle East Company (MME) Holding Company	10,725,633	9,890,660	8.03	8.07
Marico Egypt for Industries Company (MEI)	27,523,132	25,144,434	20.60	20.52
	38,248,765	35,035,094	28.62	28.59

12) Creditors and Other credit balances

This Item is made up as follows :-

	31/3/2011 EGP	31/3/2010 EGP	31/3/2011 Rs. Crore	31/3/2009 Rs. Crore
Withholding tax	142	-	0.00	-
Accrued Expenses	20,000	15,000	0.01	0.01
	20,142	15,000	0.02	0.01

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2011

13) Capital

The authorized capital was determined by EGP 2,500,000 (two million five hundred thousand Egyptian pounds)(Rs. 1.87 Crore) and the issued capital is 250,000 (Two hundred and fifty thousand Egyptian pounds) (Rs. 0.19 Crore) distributed over 250 (Two hundred and fifty shares). The nominal value of each share is EGP 1000 (One thousand Egyptian pounds) (Rs. 001 Crore) distributed among shareholders as follows :

Name	Nationality	No. of Share	Amount EGP	Rs. Crore
Harshraj Charandas Mariwala	Indian	1	1000	0.001
Milind Shripad Sarwate	Indian	1	1000	0.001
Vijay Subramaniam	Indian	1	1000	0.001
Marico Middle East, FZE	Emirates	247	247000	0.185
		250	250000	0.187

14) Tax status**First : Corporate tax**

- The company didn't scrutinized up till now
- The company submits the tax returns on legal dates.

Second : Salaries & wages tax

- The Company was scrutinized from beginning of activity till 31/3/2007
- The Company pays salaries & wages tax regularly.

Third : Stamp duty

- The company didn't scrutinized till now
- The company pays stamp duty according to taxes system.

Fourth : Withholding tax

- The Company pays withholding tax regularly.
- The Company didn't scrutinized till now

Fifth : Sales tax

- The company was scrutinized from beginning of activity till 31/3/2009

15) Comparative figures

The comparison figures have been reclassified to confirm to current year classification.

Debashish Neogi
Chairman

Aditya Shome
Financial Manager

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL DEVELOPMENT COMPANY S.A.E

Board of Directors

Debashish Neogi

Aditya Shome

Suranjan Das

Marico Middle East represented by Vijay Subramaniam and Satish V

Registered Office

2nd Industrial Zone,
6th October City, No. 129 & 130, Egypt

Auditors

Moore Stephens

Bankers

HSBC Limited
NSGB Limited

Legal Advisors

Yasser Maharem Office for Accounting and Auditing
Nassef Law Firm

INDEPENDENT AUDITORS' REPORT

To

The Shareholders of Egyptian American for Investment and Industrial Development Company S.A.E

Report on the Financial Statements

We have audited the accompanying balance sheet of Egyptian American Co. For Investment and Industrial Development SAE as of December 31, 2010 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes. The financial statements of previous year were audited by another auditor.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the Egyptian laws this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. we conducted our audit in accordance with the Egyptian Auditing standard and the relevant laws and regulation. Those standards require that we comply with ethical requirements to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements presents fairly in all material respects, the financial position of Egyptian American for Investment and Industrial development SAE as of 31 December 2010, and of its financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the relevant laws and regulations.

Emphasis of matter

The retained losses reaches amount EGP 14153814 on 31/12/2010, that required extra-ordinary general assembly according to article no.(69) of law No.159 for the year 1981 to take decision about continuity of the company or not.

Report on Other Legal and Regulatory Requirements

The Company keeps proper accounting records, include all that is required by law to be recorded therein and the accompanying financial statements are agreement therewith, the Company applies a sufficient costing system. Inventory count and valuation was made by company's management and under their responsibility.

The financial information included in the Board of Directors' report in compliance with companies Law No. 159 year 1981 and its executive regulations and its agreement with the accounting record of the Company to the extent that such information is recorded therein.

Cairo, 20/02/2011

Sherin Noureldin
R.A.A 6809
Moore Stephens Egypt

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL
DEVELOPMENT COMPANY S.A.E

BALANCE SHEET

As at December 31, 2010					
	Note	31/12/2010 EGP	31/12/2010 Rs. Crore	31/12/2009 EGP	31/12/2009 Rs. Crore
Assets					
Long – Term Assets					
Fixed assets (net)	(4)	2,103,941	1.62	2,362,720	2.00
Project under progress	(5)	213,338	0.16	173,013	0.15
Total Long – Term Assets		2,317,279	1.78	2,535,733	2.15
Current Assets					
Inventory (net)	(6)	2,162,570	1.67	2,584,661	2.19
Receivables (net)	(7)	8,470,194	6.52	10,314,075	8.75
Debtors and other debit balances	(8)	733,524	0.56	251,135	0.21
Cash at banks	(9)	1,838,191	1.42	1,609,547	1.37
Total Current Assets		13,204,479	10.17	14,759,418	12.52
Current Liabilities					
Bank Overdraft		331,318	0.26	–	–
Claim Provisions	(10)	–	–	610,832	0.52
Due to related parties	(11)	17,379,812	13.38	13,268,352	11.26
Payables and notes payables	(12)	3,016,403	2.32	3,499,710	2.97
Creditors and other credit balances	(13)	1,596,085	1.23	3,424,301	2.91
Total current liabilities		22,323,618	17.19	20,803,195	17.65
Working Capital		(9,119,139)	(7.02)	(6,043,777)	(5.13)
Total investment		(6,801,860)	(5.24)	(3,508,044)	(2.98)
To be financed as follows :					
Shareholder's Equity					
Issued and paid up capital	(14)	6,892,000	5.31	6,892,000	5.85
Legal Reserve		374,360	0.29	374,360	0.32
Other Reserves		493	0.00	493	0.00
Forward losses/Retained Earnings		(10,847,488)	(8.35)	1,513,450	1.28
Net losses for the year		(3,306,326)	(2.55)	(12,360,938)	(10.49)
Total Shareholders' Equity		(6,886,961)	(5.30)	(3,580,635)	(3.04)
Long - Term liabilities					
Deferred tax liabilities	(15)	85,101	0.07	72,591	0.06
Total Shareholders' Equity and Long - Term liabilities		(6,801,860)	(5.24)	(3,508,044)	(2.98)
Contingent Liabilities for L/G	(16)	36,000	0.03	–	–

The accompanying notes on pages from (1) to (19) form integral part of these financial statements and are to be read therewith.

Auditor's report attached

Chairman

Financial Manager

Sherin Nouredin
R.A.A 6809
Moore Stephens Egypt

Note: The exchange rate used to convert EGP to Rs. is Rs. 7.700/ EGP (Rs. 8.484/ EGP)

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL
DEVELOPMENT COMPANY S.A.E

INCOME STATEMENT

Year ended December 31, 2010					
	Note	31/12/2010 EGP	31/12/2010 Rs. Crore	31/12/2009 EGP	31/12/2009 Rs. Crore
Net Sales	(17)	22,055,430	16.98	21,923,950	18.60
Less :					
Cost of sales		13,741,791	10.58	18,460,125	15.66
Gross profit		8,313,639	6.40	3,463,825	2.94
Selling and distribution expenses		7,493,940	5.77	7,079,940	6.01
General and administrative expenses		4,531,985	3.49	3,576,199	3.03
Depreciation of fixed assets		231,785	0.18	149,955	0.13
Provision of Doubtful debt		–	–	5,296,615	4.49
Inventory write off	(6/1)	50,926	0.04	–	–
Claim provision		–	–	396,094	0.34
Royalty		100,819	0.08	202,251	0.17
Total expenses		12,409,455	9.56	16,701,054	14.17
Operating Losses		(4,095,816)	(3.15)	(13,237,229)	(11.23)
Add/(Less):					
Provision no longer required	(10),(7/1)	963,532	0.74	41,065	0.03
Capital gains		133,627	0.10	33,492	0.03
Foreign exchange (losses)/gains		(566,004)	(0.44)	56,536	0.05
Royalties from previous year		142,491	0.11	669,031	0.57
Scrap sales		128,355	0.10	106,784	0.09
Total		802,001	0.62	906,908	0.77
Net (losses) before deferred tax		(3,293,815)	(2.54)	(12,330,321)	(10.46)
Deferred tax		(12,511)	(0.01)	(30,617)	(0.03)
Net (losses) after deferred tax		(3,306,326)	(2.55)	(12,360,938)	(10.49)

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs. 7.700/ EGP (Rs. 8.484/ EGP)

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL
DEVELOPMENT COMPANY S.A.E

STATEMENT OF CHANGES IN EQUITY

Year ended as of December 31, 2010

Description	Issued and Paid capital EGP	Legal Reserve EGP	Other Reserve EGP	Retained Profits EGP	Net (loss) profit for the year EGP	Total EGP
Balance as of 1/1/2009	6,892,000	374,360	493	7,112,847	(5,599,397)	8,780,303
Closed forward losses	-	-	-	(5,599,397)	5,599,397	-
Net losses for the year	-	-	-	-	(12,360,938)	(12,360,938)
Balance as of 31/12/2009	<u>6,892,000</u>	<u>374,360</u>	<u>493</u>	<u>1,513,450</u>	<u>(12,360,938)</u>	<u>(3,580,635)</u>
Balance as of 1/1/2010	6,892,000	374,360	493	1,513,450	(12,360,938)	(3,580,635)
Closed forward losses	-	-	-	(12,360,938)	12,360,938	-
Net losses for the year	-	-	-	-	(3,306,326)	(3,306,326)
Balance at 31/12/2010	<u>6,892,000</u>	<u>374,360</u>	<u>493</u>	<u>(10,847,488)</u>	<u>(3,306,326)</u>	<u>(6,886,961)</u>

Description	Paid in capital Rs. Crore	Legal Reserve Rs. Crore	Other Reserve Rs. Crore	Retained Earnings Rs. Crore	Net profit the year for Rs. Crore	Total Rs. Crore
Balance as of 1/1/2009	5.31	0.29	0.00	5.48	(4.31)	6.76
Closed forward losses	-	-	(4.31)	4.31	-	-
Net losses for the year	-	-	-	(9.52)	(9.52)	-
Balance as of 31/12/2009	5.31	0.29	0.00	1.17	(9.52)	(2.76)
Balance as of 1/1/2010	5.31	0.29	0.00	1.17	(9.52)	(2.76)
Closed forward losses	-	-	-	(9.52)	9.52	-
Net losses for the year	-	-	-	-	(2.55)	(2.55)
Balance at 31/12/2010	<u>5.31</u>	<u>0.29</u>	<u>0.00</u>	<u>(8.35)</u>	<u>(2.55)</u>	<u>(5.30)</u>

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs. 7.700/ EGP (Rs. 8.484/ EGP)

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL
DEVELOPMENT COMPANY S.A.E

CASH FLOWS STATEMENT

Note	Year ended as of December 31, 2010			
	31/12/2010	31/12/2010	31/12/2009	31/12/2009
	EGP	Rs. Crore	EGP	Rs. Crore
Cash flows from operating activities				
Net (losses) of the year	(3,306,326)	(2.55)	(12,360,938)	(10.49)
Adjustments to reconcile net (losses) with net cash				
Depreciation of fixed assets	641,769	0.49	701,880	0.60
Capital gains	(133,627)	(0.10)	(33,492)	(0.03)
Provision no longer required	(610,832)	(0.47)	(41,065)	(0.03)
Provisions	–	–	5,228,232	4.44
Deferred tax expenses	12,511	0.01	30,617	0.03
	(3,396,505)	(2.62)	(6,474,766)	(5.49)
Change in working capital				
Decrease in inventory	422,091	0.33	4,907,354	4.16
Decrease in receivables	1,843,881	1.42	506,117	0.43
(Increase) Decrease in debtors and other debit	(482,389)	(0.37)	478,439	0.41
Increase in provisions	–	–	156,393	0.13
(Increase) Decrease in bank overdraft	331,318	0.26	(715,915)	(0.61)
Increase in due to related parties	4,111,460	3.17	1,066,915	0.91
(Decrease) Increase in payables and notes payables	(483,309)	(0.37)	1,965,257	1.67
(Decrease) Increase in creditors and other credit balances	(1,828,216)	(1.41)	339,905	0.29
Cash flows provided from (used in) operating activities	3,914,836	3.01	8,704,465	7.38
Cash flows from investing activities				
Payments for purchase fixed assets	(467,086)	(0.36)	(766,131)	(0.65)
Received from sale of fixed assets	217,724	0.17	33,492	0.03
Change in project under progress	(40,325)	(0.03)	(173,013)	(0.15)
Net cash flows (used in) investing activities	(289,687)	(0.22)	(905,652)	(0.77)
Net Increase In cash flows	228,644	0.18	1,324,047	1.12
Cash and cash equivalents as at the beginning of the year	1,609,547	1.24	285,500	0.24
Cash and cash equivalents at the end of the year	1,838,191	1.42	1,609,547	1.37

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs. 7.700/ EGP (Rs. 8.484/ EGP)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2010

1 The Company's Background and its Activities

Egyptian American Co. for Investment and Industrial Development "Redico" -An Egyptian joint stock Company- was established under the provisions of law No. 159 of 1981 and its executive regulation. The company was registered in the commercial register under no.117830, dated 14/12/1997.

According to the decision of the Extraordinary general assembly meeting held on 16/12/2006 and the resolution issued by chairman of General Authority For Investments & Free Zone (GAFI) No .235/2 for the year 2007 concerning the division licensing of the Egyptian American Co. for Investment and Industrial Development - Redico- in order to be divided into two companies (split company and split off company) and according to what will be mentioned below, the recent name of the company is, the Egyptian American Co. for Investment and Industrial Development.

The aforementioned amendment concerning the name of the company was registered in the commercial register on 15/03/2007.

The company period is 25 years starting from 14th Dec 1997 till 13th Dec 2022.

The company located in first & second floor lands No. 1130, the second industrial zone, Sixth of October

The objective of the company

- 1 Manufacturing cosmetics, perfumes and essential oils - Reedy Rose - Five Flowers -Top Girl and the new lines of production that can develop in the field of manufacturing cosmetics.
- 2 Importing equipment, machines, tools and raw materials required in order to execute the objectives of the company.
- 3 Import, export and commercial agencies.

All the above mentioned objectives are carried out in conformity with the provisions, regulations and the applicable decrees provided that all licenses required practicing such activities are issued.

The company may have an interest or participate in any manner with the companies and others who practice similar activities or may cooperate with the company to achieve its objectives in Egypt or abroad. The company may also merge into the aforementioned entities, purchasing them or to make them affiliated there to according to the provision of law and its regulations.

According to General Authority For Investments & Free Zone (GAFI) chairman's decision No, 235/2 for the year 2007 regarding the license to divide Egyptian American Co. for Investment and Industrial Development (Redico), referred there to as the split company, into two joint stock companies according to the below -mentioned data , and based upon the decision of the Extraordinary General Assembly Meeting ,held on 16/12/2006 . It was approved to amend the objective of the company to be as follows:

- 1 Manufacturing cosmetics, perfumes and essential oils.
- 2 Importing equipment, machines, tools and raw materials required to execute the objectives of the company.
- 3 Import, export and commercial agencies.

2 Significant accounting policies

2-1- Upholding accounting standards and legal principles:-

The accompanying financial statements have been prepared in accordance with Egyptian Accounting Standards and the related Egyptian laws and regulation in the light of International Financial Reporting Standards to process cases weren't stated in the Egyptian standard.

2-2- Basis preparation of financial Statements:-

The financial statements have been prepared at Egyptian pound.

The financial statements have been prepared according to historical cost and continuity presumption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2010

2-3- Change in accounting principles:-

The accounting principles comply with those adopted in the previous year.

2-4- Foreign currency transaction:-

The company maintains its books in Egyptian pound. All transactions denominated in foreign currencies were translated into Egyptian pound at the rate determined on the transaction date, on the balance sheet,

the monetary current assets and liabilities are evaluated accordance the rates announced on that date and the differences are charged to income statement.

2-5- Fixed assets (net):-

Recognition and preliminary measurement

Buildings, constructions, infrastructures, machines and equipments are booked at historical cost less the accumulated depreciation and any impairment.

The cost include all direct cost for acquisition the assets also cost of getting of it and re-arranging the site where assets were present.

The Depreciation

Fixed assets are shown in the balance sheet at historical cost and according to estimated useful life of each asset in accordance with the following rates.

- Building	5%	Straight line Method
- Machines	12.5%	Declining Method
- Computer and programs	50%	Declining Method
- Lab equipment	25%	Declining Method
- Furniture & office equipment	50%	Declining Method
- Vehicles	25%	Declining Method

2-6- Inventory (net):-

Inventories are stated lower of cost and net realisable value. Cost is determined using weighted average method.

The cost of finished goods and work in progress comprises of raw material, direct labour and other direct cost.

Net realizable value is the estimated selling price in the ordinary course of business less the variable selling expenses

Provision is made for impairment.

2-7- Projects under progress:-

Projects under progress are reflected according to cost and include all direct expenses required to prepare the asset to be in a state of operation and for the purpose for which it was acquired. Projects under progress are recorded as fixed assets once it is finished and it is available for the purpose it was acquired for. Projects under progress are valued at the date of the balance sheet according to its cost and deducting the impairment in its value, if any.

2-8- Impairment in the value of non-financial assets:-

The book value of the Company's non-financial assets, other than inventory and deferred tax assets is reviewed at the date of each financial position to ascertain the amount of impairment. The company carries out a regular review to ascertain if there has been impairment in the value of an asset and in case that there is an indication of such impairment, the resale value is compared to the book value. If the book value is above the resale value, then there is impairment in the value of the asset and the resale value is reduced and the loss is charged in the income statement. The amount of impairment may be returned in case that there is a change in the resale value to the extent that the amount was reduced in the past.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2010

2-9- Impairment in the value of financial assets:-

On the anniversary of each balance sheet, an objective estimate is carried out to ascertain if there is true indication that any of the assets have been impaired. Once there is a impairment in the the value of an asset the loss is recorded only if there are objective proofs that the impairment of the value was due to an incident or more after the initial realization of the asset and that such incident or incidents had an affect that can be evaluated in a reliable manner for the expected furure cash flow from the assets. In the case of financial assets th at are recorded according to their amortized cost impairment, the loss due to impairment of its value between the book value of such asset and the present value of the future cash flow that has been discounted by the original actual interest rate relating to this assets. The book value of the financial asset is reduced directly except in case of clients accounts that is reduced using provisions. Any amount that is not to be collected is to be written off from the provision and the amount of the realized loss will be reimbursed either directly or by settling the provision account. it should be ensured that such reversal will not generate a book value for the asset which is higher than the amortized cost at the date of the writing off of the amount of impairment if such impairment has not been recognized. The amount of write off will be reflected in the income statement.

2-10-Revenue recognition:-

Revenue is recognized once the service has been carried out and invoice has been issued according to the accrual principle. Regarding the revenues from dividends due on financial notes and investments in subsidiary companies, this income is recognized once the general assembly has approved the distribution to its investors.

2-11-Provisions:-

A provision is recognized once the company has a current legal or actual obligation due to a previous incident which is likely to require the use of economic sources to settle such obligation while preparing a valuation of the value of the obligation. The provisions are to be reviewed on the anniversary of the balance sheet and amended to reflect the most accurate present valuation and in case that the present value of cash is of essence, then the amount recognized as provision is the present value of the expected expenses to settle the obligation.

2-12-Employees' benefits:-

Social insurance & pension scheme:

The company contributes to the government social insurance system on behalf of the employees according to the social insurance law No. 79 year 1975 and its amendments. The employees and the company contribute according to this law with a fixed percentage of their salary and the company's obligation is limited to its contribution. The company's contribution is reflected in the income statement according to the accrual principle.

Employee profit share :

According to its constitution, the company distributes part of the profits dividends to the employees as per the recommendations stipulated by the Board of Directors and approved by the General Assembly. The employee share of profit will be recognized as distribution of profit in shareholders' equity statement and as an obligation for the period that the company's shareholders approved such distribution.

2-13-Related parties transactions :-

All transactions with related parties are booked by the company in the same manner as any other normal transaction with other parties.

2-14-Accounting estimates :-

According to Egyptian Accounting Standards the preparation of the financial statement requires the management to make some approximations and predictions that affect the value of assets, obligations, income and expenses during the financial year. The actual amounts could be quite different from these predictions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2010

2-15-Expenses:-

All expense, including administrative and general expenses, are to be reflected in the income statement for the financial period that such expenses were incurred according to accrual bases.

2-16-Legal reserve:-

According to law No. 159 year 1981, its executive directives and the constitution of the company, there should be legal reserve of no less 5% of the profit of the company and such reserve should not be increased once this reserve amount reaches 50% of the company's issued capital.

2-17-Cash flows statement:-

The cash flow statement will be prepared according to the indirect method.

2-18-Cash and cash equivalents:-

For the purpose of the cash flows statement, cash and cash equivalents are to be considered cash onhand and at banks, short term fixed deposits, cheques under collection and letters of guarantee cover, if any.

2-19-Comparative Figures:-

Comparative figures are reclassified whenever it is necessary to amend the presentation used during the current period.

3 Financial Instruments

Financial instruments are made up of any contractual agreement that gives the right to financial assets of the company and creates a financial or shareholding obligation to the other side of the contact.

3-1- Receivable (net):-

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, default or delinquency in payments (more than the granted limits) are considered indicators that the receivable is impaired. The amount of provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate used to determine the amortized cost. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognized in the income statement. When a receivable is uncollectible it is written off against allowance account for receivables.

3-2- Payables and notes payables:-

Payables and notes payables are recorded initially at the value of goods or services received from others, and subsequently measured at amortized cost using the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2010

4 Fixed assets

Represent net fixed assets as of December 31, 2010 amount EGP 2103941 as follows:

Description	Land	Buildings	Furniture & Office Equipments	Vehicles	Machine	Tools & equipment	Comp -uters	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP

Cost

Cost on Jan 1, 2010	52,400	2,253,620	39,492	1,167,715	3,212,441	40,862	37,339	6,803,869
Addition	-	-	318,272	-	-	57,817	90,997	467,086
Disposal	-	-	-	(253,017)	-	-	-	(253,017)
Cost at Dec 31, 2010	52,400	2,253,620	357,764	914,698	3,212,441	98,679	128,336	7,017,938
Accumulated depreciation on Jan 1, 2010*	-	847,764	16,659	617,634	2,910,592	15,256	33,243	4,441,148
Depreciation of the Year	-	187,727	54,746	157,027	208,509	13,748	20,012	641,769
Accumulated depreciation of disposals	-	-	-	(168,920)	-	-	-	(168,920)
Accumulated depreciation on Dec 31, 2010	-	1,035,491	71,405	605,741	3,119,101	29,004	53,255	4,913,997
Net book value on Dec 31, 2010	52,400	1,218,129	286,359	308,957	93,340	69,675	75,081	2,103,941
Net book value on Dec 31, 2009	52,400	1,405,856	22,833	550,080	301,849	25,606	4,096	2,362,720

Description	Land	Buildings	Furniture & Office Equipments	Vehicles	Machine	Tools & equipment	Computers	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore

Cost

Cost on Jan 1, 2010	0.04	1.74	0.03	0.90	2.47	0.03	0.03	5.24
Addition	-	-	0.25	-	-	0.04	0.07	0.36
Disposal	-	-	-	(0.19)	-	-	-	(0.19)
Cost on Dec 31, 2010	0.04	1.74	0.28	0.70	2.47	0.08	0.10	5.40
Accumulated depreciation on Jan 1, 2010*	-	0.65	0.01	0.48	2.24	0.01	0.03	3.42
Depreciation of the Year	-	0.14	0.04	0.12	0.16	0.01	0.02	0.49
Accumulated depreciation of disposals	-	-	-	(0.13)	-	-	-	(0.13)
Accumulated depreciation on Dec 31, 2010	-	0.80	0.05	0.47	2.40	0.02	0.04	3.78
Net book value as at Dec 31, 2010	0.04	0.94	0.22	0.24	0.07	0.05	0.06	1.62
Net book value as at Dec 31, 2009	0.04	1.08	0.02	0.42	0.23	0.02	0.00	1.82

The following assets are completely depreciated but it still used during year 2010 :-

Asset Equipments	Furniture & Office Equipments	Furniture & Office Equipments	Vehicles	Machine	Computers	Total				
	EGP	Rs. Crore	EGP	Rs. Crore	EGP	Rs. Crore				
Cost	1,382	0.00	2668637	2.05	32550	0.03	2702569	0.03	566,691	2.04

The Depreciation charged as follows :-

Description	Charged to cost of sales EGP	Charged to cost of sales Rs. Crore	Charged to income Statement EGP	Charged to income Statement Rs. Crore	Total EGP	Total Rs. Crore
Building	187,727	0.14	-	-	187,727	0.14
Machines	208,509	0.16	-	-	208,509	0.16
Tools & equipment	13,748	0.01	-	-	13,748	0.01
Furniture & office equipment	-	-	54,746	0.04	54,746	0.04
Vehicles	-	-	157,027	0.12	157,027	0.12
Computers	-	-	20,012	0.02	20,012	0.02
Total	409,984	0.32	231,785	0.18	641,769	0.49

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 Projects under progress

Project under progress represents as of december 31, 2010 amount EGP 213,338 (Rs. 0.16 crores) as follows

	31/12/2010 EGP	31/12/2010 Rs. Crores
Building	203,382	0.16
Fittings & Furniture	9,956	0.01
	213,338	0.17

6 Inventory

This item is made up as follows:-

	31/12/2010 EGP	31/12/2010 Rs. Crores	31/12/2009 EGP	31/12/2009 Rs. Crore
Raw materials	1,011,252	0.78	1,051,216	0.89
Semi finished goods	6,543	0.01	84,296	0.07
Finished goods	34,245	0.03	2,563,946	2.18
Packing & Packaging materials	1,110,530	0.86	2,741,606	2.33
	2,162,570	1.67	6,441,064	5.46
Less :				
Provision for damaged inventory	—	—	3,856,403	3.27
	2,162,570	1.67	2,584,661	2.19

6.1 Provision for damaged inventory

This item is made up as follows

	31/12/2010 EGP	31/12/2010 Rs. Crores
Balance as of 1/1/2010	3,856,403	2.97
Add:		
Provided during the year	75,000	0.06
	3,931,403	3.03
Less:		
Inventory write off during the year	3,931,403	3.03
Balance as of 31/12/2010	—	—

As at Dec 31, 2010 there is write off for goods amounted to EGP 3982329, where the absolved, flow moving and damage provision is lower than goods which are wrote off by EGP 50926, the difference between the goods written off and the provision allocated to income statement directly.

7 Receivables

This item is made up as follows:-

	31/12/2010 EGP	31/12/2010 Rs. Crore	31/12/2009 EGP	31/12/2009 Rs. Crore
Local Receivables	7,973,039	6.14	19,950,736	16.93
Foreign clients	497,155	0.38	998,569	0.85
	8,470,194	6.52	20,949,305	17.77
Less :				
(7.1) Provision of doubtful debt.	—	—	10,635,230	9.02
	8,470,194	6.52	10,314,075	8.75

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

7.1 Provision for doubtful debt

This item is made up as follows:-

	31/12/2010 EGP	31/12/2010 Rs. Crore	31/12/2009 EGP	31/12/2009 Rs. Crore
Balance on 01/01/2010	–	–	10,635,230	8.19
Less :				
Written of during the year and allocated to the provision				
Debits of the clients according the statements		9,753,406		
Debits of Marico Limited		422,775	10,176,181	7.84
			459,049	0.35
Less:				
Written off during the year the balance of 31/12/2010 added to provision no longer required			106,349	0.08
Balance on 31/12/2010			<u>352,700</u>	<u>0.27</u>

8 Debtors and other debit accounts

This item is made up as follows:-

	31/12/2010 EGP	31/12/2010 Rs. Crore	31/12/2009 EGP	31/12/2009 Rs. Crore
Debtors for purchase of fixed asset	37,000	0.03	–	–
Suppliers – advance payment	604,741	0.47	158,532	0.13
Prepaid expenses	51,275	0.04	56,074	0.05
Deposits with others	34,065	0.03	30,086	0.03
Other debit accounts	6,443	0.00	6,443	0.01
	<u>733,524</u>	<u>0.56</u>	<u>251,135</u>	<u>0.25</u>

9 Cash and cash at banks

This item is made up as follows:-

	31/12/2010 EGP	31/12/2010 Rs. Crore	31/12/2009 EGP	31/12/2009 Rs. Crore
Banks – Local currency	74,733	0.06	1,605,579	1.36
Banks – foreign currency	41,747	0.03	3,968	0.00
Cheques under collection	1,712,711	1.32	–	–
L/G Margin	9,000	0.01	–	–
	<u>1,838,191</u>	<u>1.42</u>	<u>1,609,547</u>	<u>1.37</u>

10 Claim Provisions

This item is made up as follows:-

	EGP	EGP
Balance on 01/01/2010		610,832
Less :		
<u>Provision no longer required allocated to:</u>		
Provision for scrap sales tax	9,907	
provision for tax commision of salesmen	377,208	
Provision for expert remuneration	223,667	610,782
Balance on 31/12/2010		<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

	31/12/2010	31/12/2010	31/12/2009	31/12/2009
	EGP	Rs. Crore	EGP	Rs. Crore
11 Due to related parties				
This item is made up as follows:-				
MEL Consumer Care Company.	6,020,141	4.64	2,228,511	1.89
Marico Middle East Company	11,329,500	8.72	10,717,526	9.09
Manco Limited company- India	30,171	0.02	322,315	0.27
	17,379,812	13.38	13,268,352	11.26

12 Payables and Notes Payables

This item is made up as follows:-

	31/12/2010	31/12/2010	31/12/2009	31/12/2009
	EGP	Rs. Crore	EGP	Rs. Crore
Payables - Raw material	267,982	0.21	572,066	0.49
Payables - packing & packaging materials	355,388	0.27	919,651	0.78
	623,370	0.48	1,491,717	1.27
Notes payable	2,393,033	1.84	2,007,993	1.70
	3,016,403	2.32	3,499,710	2.97

13 Creditors and other credit balance

This item is made up as follows:-

	31/12/2010	31/12/2010	31/12/2009	31/12/2009
	EGP	Rs. Crore	EGP	Rs. Crore
Sundry creditors	275,946	0.21	204,139	0.17
Creditors for fixed asset purchases	41,449	0.03	-	-
Clients - Advance payments	-	-	487,526	0.41
Sales tax	548,802	0.42	614,179	0.52
Withholding tax	19,389	0.01	24,914	0.02
Salaries & wages tax	28,773	0.02	20,557	0.02
Stamp duty	705	0.00	4,375	0.00
Accrued expenses	662,036	0.51	2,051,611	1.74
Social Insurance Authority	18,985	0.01	17,000	0.01
	1,596,085	1.23	3,424,301	2.91

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

14 Capital

A Authorized capital

The Company's authorized capital amounted to EGP 25 million (Twenty Five million Egyptian Pounds) distributed over 250000 shares the nominal value of each share is EGP 100 (One Hundred Egyptian Pounds).

B Issued and paid up capital

The issued capital was determined by EGP 6892000 (Six million and Eight hundred and Ninety Two Thousand Egyptian pounds) distributed over 68920 shares (Sixty Eight Thousand and Nine Hundred and Twenty Shares), the nominal value of each is EGP. 100 (One Huindred Egyptian Pounds) and all of which are nominal each shares which is fully paid, according to general authority for investment and free zones decision NO. 235/2 for year 2007 the company issued capital is determined by EGP 6892000 after excluding an amount of EGP 493 and being carried forward to the reserves.

The issued and paid capital is distributed as follows:

Name	Nationality	Value of	No. of	Amount	Amount
		each share	share	Rs. Crore	Rs. Crore
		EGP	EGP		
Mr. Harsh Charandas Mariwala	Indian	100	320	32,000	0.02
Mr. Milind Shripad Sarwate	Indian	100	320	32,000	0.02
Mr. Aditya Kumar	Indian	100	50	5,000	0.00
Marico Middle East	Emirates	100	68,230	6,823,000	5.25
		400	68,920	6,892,000	5.31

15 Deferred Tax Liabilities

This item is made up as follows:-

	Assets		Liabilities		Assets		Liabilities	
	31/12/2010		31/12/2010		31/12/2009		31/12/2009	
	EGP	Rs. Crore	EGP	Rs. Crore	EGP	Rs. Crore	EGP	Rs. Crore
Fixed assets	-	-	85,101	0.07	-	-	72,591	0.06
	-	-	85,101	0.07	-	-	72,591	0.06

16 Contingent liabilities for L/G

	L/G		L/G		L/G		L/G	
	Value	Value	Covered	Covered	Non covered	Non covered	Non covered	Non covered
	EGP	Rs. Crores	EGP	Rs. Crores	EGP	Rs. Crores	EGP	Rs. Crores
L/G for civil society organization								
aid funds till 30/06/2011	45,000	0.03	9,000	0.01	36,000	0.03		
	<u>45,000</u>	<u>0.03</u>	<u>9,000</u>	<u>0.01</u>	<u>36,000</u>	<u>0.03</u>		

17 Activity revenue

This item is made up as follows:-

	31/12/2010		31/12/2009	
	EGP	Rs. Crore	EGP	Rs. Crore
Activity revenue	37,529,509	28.90	40,716,211	34.54
Less:				
Trade discount	14,786,138)	(11.39)	(16,243,715)	(13.78)
Cash discount	(687,941)	(0.53)	(2,548,546)	(2.16)
	<u>22,055,430</u>	<u>16.98</u>	<u>21,923,950</u>	<u>18.60</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

18 Tax status

A Corporate tax

The company enjoys tax exemption according to article No (16) of Law no. (8) for year 1997 and up to December 31, 2010.

The company was scrutinized from the beginning of its activity till year 1999 which resulted to zero liability.

Years from 2000 till 2004 was scrutinized and resulted to tax liability amounted to EGP 172349 (Rs. 0.13 crores). The company objected to this amount and the argument has been transferred to internal committee.

The company was scrutinized for years 2003 and 2004 and all the tax have been settled.

The years 2005 till 2007 was scrutinized and resulted to tax liability amounted to EGP 23791(Rs. 0.01 crores) and has been fully paid.

The company was examined for year 2008 and resulted to differences which amounted to EGP 31264 and all differences have been settled.

The company pays salary tax on regular basis through the quaterly salaries returns

B Salaries & wages tax

The company was scrutinized for years 2003 and 2004 and all the tax have been settled.

The years 2005 till 2007 was scrutinized and resulted to tax liability amounted to EGP 23791(Rs. 0.01 crores) and has been fully paid.

The company was examined for year 2008 and resulted to differences which amounted to EGP 31264 and all differences have been settled.

The company pays salary tax on regular basis through the quaterly salaries returns

C Stamp duty

The company was scrutinized from the start of operation till December 31, 2008 all the difference have been settled.

D Sales tax

The company was scrutinized from the start of operation till December 31, 2007 and all the difference have been settled. The company was examined for the year 2008 -2009 and resulted to many differences valued EGP 108903, 40 and all the differences have been settled.

E Withholding tax

19 Comparison figures have been reclassified to confirm with current year classification.

MARICO EGYPT FOR INDUSTRIES (SAE)

Board of Directors

Debashish Neogi

Aditya Shome

Ravin Mody

MELCC, represented by Vijay Subramaniam

Registered Office

New Salhya City - Industrial Zone, Sharqya

Auditors

Moore Stephens

Bankers

HSBC Limited

NSGB Limited

Legal Advisors

Yasser Maharem Office for Accounting & Auditing,
(Nassef) Law firm

INDEPENDENT AUDITOR'S REPORT

To: The shareholders of Marico Egypt For Industries (SAE)

Report on the financial statement

We have audited the accompanying balance sheet of Marico Egypt For Industries (SAE) as of December 31, 2010 and the related statement of income, cash flows and changes in shareholder's equity for the year then ended and a summary of significant accounting policies and other explanatory Notes.

Management's responsibility for the financial statements

These financial statements are the responsibility of the company's management. The management is responsible for the preparation and fair presentation of these financial statements in accordance with Egyptian Accounting Standards and in light of the Egyptian laws this responsibility includes designing , implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error in selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Auditing Standards and the relevant laws and regulations. Those standards require that we comply with ethical requirements to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error in making those risk assessment , the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement present fairly in all material respects, the financial position of Marico Egypt For Industries (SAE) as of 31 December 2010 and of its financial performance and its cash flows for the financial year then ended, In accordance with the Egyptian accounting standards and the relevant laws and regulations.

Report on the other legal and regulatory requirements

The company keeps proper accounting records, including all that is required by law to be recorded therein and the accompanying financial statements are in agreement therewith, the company applies a sufficient costing system. Inventory count and valuation was made by the company's management and under their responsibility.

The financial information included in the board of directors' report in compliance with companies law no. 159 year 1981 and it's executive regulation and its agreement with the accounting record of the company to the extent that such information is recorded therein.

Cairo 20/02/2011

Sherin Nouredin

R.A.A. 6809

Moore Stephens Egypt

BALANCE SHEET

	Notes No.	As at December 31, 2010			
		2010 EG.P	2009 EG.P	2010 Rs. Crore	2009 Rs. Crore
Long Term Assets					
Fixed Assets (Net)	(4)	4,111,852	3,370,498	3.17	2.86
Projects under progress	(5)	1,030,165	–	0.79	–
Total long term assets		5,142,017	3,370,498	3.96	2.86
Current assets					
Inventory (Net) (6)		6,333,752	5,129,456	4.88	4.35
Receivables (Net)	(7)	20,010,324	14,150,320	15.41	12.01
Advance to suppliers		402,655	1,234,230	0.31	1.05
Debtors and other debit balances	(8)	4,504,999	744,239	3.47	0.63
Due from related Parties (Debit)	(9)	26,088,019	19,752,474	20.09	16.76
Cash and cash at banks	(10)	13,815,455	13,074,301	10.64	11.09
Total current assets		71,155,204	54,085,020	54.80	45.89
Current liabilities					
Bank overdraft	(11)	1,645,667	1,729,940	1.27	1.47
Provisions	(12)	1,922,061	2,349,862	1.48	1.99
Due to related parties	(13)	246,311	1,053,067	0.19	0.89
Payables and notes payable	(14)	8,554,998	5,903,239	6.59	5.01
Creditors and other credit balances	(15)	8,375,396	5,191,218	6.45	4.40
Total current liabilities		20,744,433	16,227,326	15.98	13.76
Working Capital		50,410,771	37,857,694	38.82	32.13
Total investment		55,552,788	41,228,192	42.78	34.99
Shareholder's Equity					
Issued capital		20,000,000	20,000,000	15.40	16.97
Issued & fully Paid capital	(16)	12,287,690	12,287,690	9.46	10.42
Legal reserve	(17)	1,447,026	494,333	1.11	0.42
Retained Earnings		27,493,476	9,392,318	21.17	7.97
Net Profit for the Year		14,324,596	19,053,851	11.03	16.17
Total finance of working capital and long-term assets		55,552,788	41,228,192	42.77	34.98
Contingent Liabilities	(18)	4,148,919	1,336,893	3.19	1.13

-The accompanying notes from (1) to (21) forms an internal part of these financial statements.

- Auditor's report attached.

Chairman

Financial Manager

Sherin Nouredin

R.A.A. 6809

Moore Stephens Egypt

INCOME STATEMENT

Year ended December 31, 2010

	Notes	2010	2009	2010	2009
		EGP	EGP	Rs. Crore	Rs. Crore
Sales		91,337,139	83,168,681	70.33	70.56
Less					
Allowance		24,050,254	20,567,909	18.52	17.45
Net Sales		67,286,885	62,600,772	51.81	53.11
Less					
Cost of sales		31,642,400	26,950,244	24.36	22.85
Gross profit		35,644,485	35,650,528	27.45	30.26
Less					
Selling & distribution Expenses		7,882,865	7,713,566	6.07	6.54
Advertising expenses		9,447,619	6,449,516	7.27	5.47
General & administrative expenses		5,152,476	4,058,885	3.97	3.44
Depreciation of fixed assets		31,799	61,392	0.02	0.05
Provision for Claims	(13/1)	260,000	1,034,853	0.20	0.88
Royalty		–	638,271	–	0.54
Capital Loss		152	–	–	–
		22,774,911	19,956,483	17.53	16.92
		12,869,574	15,694,045	9.92	13.34
Add					
Provisions no longer required		1,168,659	1,637,009	0.90	1.39
Royalty provisions no longer required		188,641	1,630,395	0.15	1.38
Scrap sales		73,802	85,075	0.06	0.07
Foreign exchange gains		23,920	7,327	0.02	0.01
Net Profit for the year		14,324,596	19,053,851	11.05	16.19

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Description	Year ended December 31, 2010				
	Issued and fully paid capital	Legal Reserves	Retained Profits (losses)	Profits (losses) for the year	Total
	EGP	EGP	EGP	EGP	EGP
Balance on 1/1/2009	12,287,690	–	–	9,886,651	22,174,341
Legal reserve of the year 2008	–	494,333	(494,333)	–	–
Closing retained earnings	–	–	9,886,651	(9,886,651)	–
Net Profit of the year 2010	–	–	–	19,053,851	19,053,851
Balance on 31/12/2010	12,287,690	494,333	9,392,318	19,053,851	41,228,192
Balance as of 1/1/2010	12,287,690	494,333	9,392,318	19,053,851	41,228,192
Legal reserves of the year 2009	–	952,693	(952,693)	–	–
Closing retained earnings	–	–	19,053,851	(19,053,851)	–
Net Profit for the year of 2010	–	–	–	14,324,596	14,324,596
Balance on 31/12/2010	12,287,690	1,447,026	27,493,476	14,324,596	55,552,788

Statement of changes in shareholder's equity For the year ended December 31, 2010

Description	Statement of changes in shareholder's equity For the year ended December 31, 2010				
	Issued and fully paid capital	Legal Reserves	Retained Profits (losses)	Profits (losses) for the year	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Balance on 1/1/2009	9.46	–	–	7.61	17.07
Legal reserves of the year 2008	–	0.38	(0.38)	–	–
Closing retained earnings	–	–	7.61	(7.61)	–
Profit of the year	–	–	–	14.67	14.67
Balance on 31/12/2009	9.46	0.38	7.23	14.67	31.74
Balance on 1/1/2010	9.46	0.38	7.23	14.67	31.74
Legal reserves of the year 2009	–	0.73	(0.73)	–	–
Closing retained earnings	–	–	14.67	(14.67)	–
Net Profit for the year of 2010	–	–	–	11.03	11.03
Balance on 31/12/2010	9.46	1.11	21.17	11.03	42.77

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs.

CASH FLOW STATEMENT

Year ended December 31, 2010

	2010 EGP	2010 Rs. Crore	2009 EGP	2009 Rs. Crore
Cash flow from operating activities				
Net profit from income statement	14,324,596	14.67	19,053,851	16.17
Adjustments to reconcile net profit with net cash provided by operating activities				
Depreciation	485,008	0.37	536,209	0.45
Capital Losses	152	–	–	–
(Increase) in inventory (Net)	(1,204,296)	(0.93)	(580,702)	(0.49)
(Increase) in receivables (Net)	(5,860,004)	(4.51)	(4,810,702)	(4.08)
Decrease (Increase) in advances to suppliers	831,575	0.64	180,311	0.15
(Increase) Decrease in debtors and other debit balances	(3,760,760)	(2.90)	1,674,115	1.42
(Increase) in due from related parties	(6,335,545)	(4.88)	(19,284,023)	(16.36)
(Decrease) Increase in bank overdraft	(84,273)	(0.06)	1,729,854	1.47
(Decrease) Increase in provisions	(427,801)	(0.33)	1,034,852	0.88
(Decrease) in due to related parties	(806,756)	(0.62)	(992,124)	(0.84)
Increase in payables and notes payable	2,651,759	2.04	1,763,420	1.50
Increase (Decrease) in creditors and other credit balances	3,184,178	2.45	(663,971)	(0.56)
Net cash from (used in) operating activities	2,997,833	5.94	(358,910)	(0.29)
Cash flows from investment activities				
Received from Sale of Fixed assets	842	–	1,693	–
Payment for Purchase of fixed assets	(1,227,356)	(0.95)	(499,749)	(0.42)
Increase in projects under progress	(1,030,165)	(0.79)	–	–
Net cash flow (used in) investment activities	(2,256,679)	(1.74)	(498,056)	(0.42)
Net cash resulting during the year	741,154	0.57	(856,966)	(0.73)
Cash and cash at banks at the beginning of the year	13,074,301	10.07	13,931,267	11.82
Cash and cash at banks at end of the year	13,815,455	10.64	13,074,301	11.09

Chairman

Financial Manager

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 Dec., 2010

(1) The Company :

The Company was incorporated as "Simple partnership" according to the law No 8 year 1997 of Investment Guarantees and its implementing regulations and was registered in the commercial register under No 79585 dated 26/2/1998 and issued tax card No 253/54/5 under the name Pyramids for Industries Company,

The articles was amended according to the decree of chairman of the general authority for investment and free zones No 161/P year 2006 approving the amendment of article No (5) according to the decision of the partners meeting which was held on 13/12/2006 and the adoption of the draft amendment dated 28/12/2006 which was ratified in public notary office on 9/1/2007 under ratification No 15 year 2007 to change the name of the company to MEL Co. for Consumer Care Products & Partners "Pyramids Modern Industries (PMI) "General Partnership Co."

According to the decision of chairman of general authority for investment and free zones No.2/532 year 2009 and the contract to change the company from general partnership Co. to joint - stock company according to the law No 8 year 1997 and change the name of the company to Marico Egypt For Industries (SAE).

Purpose of the company :

Manufacture all cosmetics and hair and skin care products also soap , toothpaste , hair shampoo and oil processed and hair dyes and the production of various cleaning materials ,pesticides , disinfectants and varnish, all sorts of adhesives and packing the products mentioned.

(2) Significant Accounting Policies :

2-1- Unholding accounting standards and legal principles :-

The accompanying financials statements have been prepared in accordance with Egyptian accounting standards and the related Egyptian laws and regulation in the light of the international financial reporting standards to process cases weren't stated in the Egyptian standards.

2-2- Basis preparation of the financial statements:-

- The financial statements have been prepared in Egyptian pounds.
- The financial statements have been prepared according to historical cost and continuity presumption.

2-3- Change in accounting principles :-

The accounting principles comply with those adopted in the previous year.

2-4- Foreign currency transactions :-

The company maintains its books in Egyptian pounds. All transactions denominated in foreign currencies were translated into Egyptian pounds at the rate determined on the transaction date, on the balance sheet. The monetary current assets and liabilities are evaluated according to the rates announced on that date and the differences are charged to income statement.

2-5- Fixed assets (Net) :-

Recognition and preliminary measurement

Buildings, constructions, infrastructures, machines and equipments are booked at historical cost less the accumulated depreciation and any impairment.

The cost includes all direct cost for acquisition of the assets also cost of getting of it and rearranging the site where assets were present.

The Depreciation

Fixed assets are shown in the balance sheet at historical cost and according to estimated useful life of each asset in accordance with the following rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

- Building	5%	Straight line method
- Machinery	12.50%	Declining method
- Equipments & Lab (S.O.E)	25%	Declining method
- Computers & Programs	50%	Declining method
- Furniture and office Equipment	25%	Declining method

2-6- Projects under Progress

Projects under progress are reflected according to cost and include all direct expenses required to prepare the asset to be in a state of operation and for the purpose for which it was acquired. Projects under progress are recorded as fixed assets once it is finished and it is available for the purpose it was acquired for. Projects under progress are valued at the date of the balance sheet according to its cost and deducting the impairment in its value if any.

2-7- Inventory

Inventories are stated lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises of raw material, direct labour and other direct cost. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for impairment.

2-8- Impairment in the Value of Non-Financial Assets

The book value of the Company's non-financial assets, other than inventory and deferred tax assets is reviewed at the date of each financial position to ascertain the amount of impairment. The Company carries out a regular review to ascertain if there has been impairment in the value of an asset and in case that there is an indication of such impairment, the resale value is compared to the book value. If the book value is above the resale value, then there is impairment in the value of the asset and the resale value is reduced and the loss is charged in the income statement. The amount of impairment may be returned in case that there is a change in the resale value to the extent that the amount was reduced in the past.

2-9- Impairment in the Value of Financial Assets

On the anniversary of each balance sheet, an objective estimate is carried out to ascertain if there is true indication that any of the assets have been impaired. Once there is an impairment in the value of an asset the loss is recorded only if there are objective proofs that the impairment of the value was due to an incident or more after the initial realization of the asset and that such incident or incidents had an affect that can be evaluated in a reliable manner for the expected future cash flow from the asset. In the case of financial assets that are recorded according to their amortized cost impairment, the loss due to impairment of its value between the book value of such asset and the present value of the future cash flow that has been discounted by the original actual interest rate relating to this asset.

The book value of the financial asset is reduced directly except in case of clients accounts that is reduced using provisions. Any amount that is not to be collected is to be written off from the provision and the amount of 'the realised loss will be reimbursed either directly or by settling the provisions account. It should be ensured that such reversal will not generate a book value for the asset which is higher than the amortized cost at the date of the writing off of the amount of impairment if such impairment has not been recognized. The amount of write off will be reflected in the income statement.

2-10- Revenue Recognition

Revenue is recognized once the service has been carried out and invoice has been issued according to the accrual principle.

Regarding the revenues from dividends due on financial notes and investments in subsidiary companies, this income is recognized once the general assembly has approved the distribution to its investors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

2-11-Provisions

A provision is recognized once the Company has a current legal or actual obligation due to a previous incident which is likely to require the use of economic sources to settle such obligation while preparing a valuation of the value of the obligation. The provisions are to be reviewed on the anniversary of the balance sheet and amended to reflect the most accurate present valuation and in case that the present value of cash is of essence, then the amount recognized as provision is the present value of the expected expenses to settle the obligation.

2-12-Employees Benefits

- **Social insurance & Pension Scheme**

The Company contributes to the government social insurance system on behalf of the employees according to the social insurance law No. 79 year 1975 and its amendments, The employees and the Company contribute according to this law with a fixed percentage of their salary and the Company's obligation is limited to its contribution. The Company's contribution is reflected in the income statement according to the accrual principle.

- **Employee profit share**

According to its constitution, the Company distributes part of the profits, dividends to the employees as per the recommendations stipulated by the Board of Directors and approved by the General Assembly. The employee share of profit will be recognized as distribution of profit in shareholder's equity statement and as an obligation for the period that the Company's shareholders approved such distribution.

2-13-Related parties transaction

All transactions with related parties are booked by the Company in the same manner as any other normal transaction with other parties.

2-14-Accounting Estimates

According to Egyptian accounting standards the preparation of the financial statement requires the management to make some approximations and predictions that affect the value of assets, obligation, income and expenses during the financial year. The actual amounts could be quite different from these predictions.

2-15-Expense

All expense, including administrative and general expenses, are to be reflected in the income statement for the financial period that such expenses were incurred according to accrual bases.

2-16-Legal Reserve

According to Law No.159 year 1981, its executive directives and the constitution of the Company, there should a legal reserve of no less than 5% of the profit of the Company and such reserve should not be increased once this reserve amount reaches 50% of the Company's issued share capital.

2-17-Cash Flows Statement

The cash flow statement will be prepared according to the indirect method.

2-18-Cash on Hand & at Banks

For the purpose of the cash flows statement, cash and cash equivalents are to be considered cash on hand and at banks, short term fixed deposits, cheques under collection and letters of guarantee cover, if any.

2-19-Comparative Figures

Comparative figures are reclassified whenever it is necessary to amend the presentation used during the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

(3) Financial Instruments :

Financial instruments are made up of any contractual agreement that gives the right to financial assets of the company and creates a financial or shareholding obligation to the other side of the contract.

3-1- Receivables (net)

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than the granted limits) are considered indicators that the receivable is impaired. The amount of provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate used to determine the amortized cost. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognized in the income statement. When a receivable is uncollectible it is written off against allowance account for receivables

3-2- Payables and note payables

Payables and note payables are recorded initially at the value of goods or services received from others, and subsequently measured at amortized cost using the effective interest rate.

(4) Fixed Assets (Net) :

Represent net fixed assets as at December 31, 2010 amount EGP 411852 as follows :-

Description	Land	Building	Machinery	Equipment	Computers	Furniture	Total
	EGP	EGP	EGP	& Lab (SOE) Programmes EGP	& Programmes EGP	and Office Equipments EGP	EGP
Cost as of 1/1/2010	199,530	1,606,535	1,631,198	72,288	44,199	57,728	3,611,478
Additions during the year	-	-	130,830	6,200	94,002	996,324	1,227,356
Disposals	-	-	-	-	-	(994)	(994)
Cost at 31/12/2010	199,530	1,606,535	1,762,028	78,488	138,201	1,053,058	4,837,840
Acc. Depreciation at 1/1/2010	-	240,980	-	-	-	-	240,980
Depreciation for the year	-	80,327	206,247	20,858	38,678	139,892	486,002
Diposals of depreciation	-	-	-	-	-	(994)	(994)
Acc. Depreciation at 31/12/2010	-	321,307	206,247	20,858	38,678	138,898	725,988
Net fixed assets as of 31/12/2010	199,530	1,285,228	1,555,781	57,630	99,523	914,160	4,111,852
Net fixed assets as of 31/12/2009	199,530	1,365,555	1,631,198	72,288	44,199	57,728	3,370,498

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

Description	Land	Building	Computers	Machinery	Equipment	Furniture and Office Equipments	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Cost at 1/1/2010	0.15	1.24	1.26	0.06	0.03	0.04	2.78
Additions during the year	–	–	0.10	–	0.07	0.77	0.94
Disposals	–	–	–	–	–	–	–
Cost at 31/12/2010	0.15	1.24	1.36	0.06	0.10	0.81	3.72
Acc. Depreciation at 1/1/2010	–	0.19	–	–	–	–	0.19
Depreciation for the year	–	0.06	0.16	0.02	0.03	0.11	0.38
Disposals of depreciation	–	–	–	–	–	–	–
Acc. Depreciation at 31/12/2010	–	0.25	0.16	0.02	0.03	0.11	0.57
Net fixed assets at 31/12/2010	0.15	0.99	1.20	0.04	0.07	0.70	3.15
Net fixed assets at 31/12/2009	0.17	1.16	1.38	0.06	0.04	0.05	2.86

The depreciation was charged as follows : –

Description	Total	Charged to Cost of Sales	Charged to Income Statement
	EGP	EGP	EGP
Building	80,327	–	80,327
Machinery	206,247	–	206,247
Equipments and LAB (S.O.E)	20,858	–	20,858
Computer & Programs	38,678	8,859	29,819
Furniture and offices equipments	138,898	136,918	1,980
Total	485,008	453,209	31,799

Description	Total	Charged to Cost of Sales	Charged to Income Statement
	Rs. Crore	Rs. Crore	Rs. Crore
Building	0.06	–	0.06
Computer & Programs	0.16	–	0.16
Machinery	0.02	–	0.02
Equipments	0.03	0.01	0.02
Furniture and offices equipments	0.11	–	0.11
Total	0.36	0.02	0.38

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

(5) Projects under progress

This item is made up as follows :-

	31/12/2010	31/12/2009
	EGP	Rs. Crore
Building	1,023,665	0.79
Machinery	16,500	0.01
	1,030,165	0.80

(6) Inventory :

Inventory at 31/12/2010 amount EGP 6333752 According to the books of the company as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
Raw materials	3,275,519	2,438,805	2.52	2.07
Goods under operating	62,433	107,476	0.05	0.09
Packing & Packaging materials	2,061,759	2,101,638	1.59	1.78
Finished goods	934,041	481,537	0.72	0.41
	6,333,752	5,129,456	4.88	4.35

(7) Receivables (Net)

This item is made up as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
Local receivables				
Pyramids cosmetics Co.	19,224,925	13,562,181	14.80	11.51
Elgazaar Company	9,703	9,703	0.01	0.01
Less:				
Bad Debt Provision	(9,703)	-	(0.01)	-
	19,224,925	13,571,884	14.80	11.52
Export receivables				
Marico India Company	785,399	578,436	0.60	0.49
	20,010,324	14,150,320	15.40	12.01

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

(8) Debtors and other debit accounts :

This item is made up as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
Debtors Purchase of fixed asset	1,905,903	–	1.47	–
L/C cover	1,674,084	117,252	1.29	0.10
Sales tax authority	618,220	474,144	0.48	0.40
Prepaid expenses	168,549	–	0.13	–
Deposit with others - Rent	116,490	15,600	0.09	0.01
Petty cash with Employee	16,807	12,098	–	–
Worker's Emergency box	3,000	–	–	–
Customs Authority - Alexandrian customs	1,946	35,271	–	0.03
Customs Advance payments	–	87,853	–	0.07
Employees loans	–	2,021	–	–
	4,504,999	744,239	3.46	0.61

(9) Related Parties :

This item is made up as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
MEL company for consumer care products SAE	26,048,708	19,752,474		
Marico Madle East Company	39,311	–	0.03	–
	26,088,019	19,752,474	20.09	16.76

(10) Cash and cash at Banks

This item is made up as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
Cash on hand	143	225	–	–
Bank current accounts - Local currency	526,791	8,107	0.41	0.01
Bank current accounts - Foreign currency	17,649	3,894	0.01	–
Cheques under collection	13,270,872	13,062,075	10.22	11.08
	13,815,455	13,074,301	10.64	11.09

(11) Bank Over draft :

This item is made up as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
NSGB bank	1,645,667	1,726,292	1.27	1.46
HSBC bank	–	3,648	–	–
	1,645,667	1,729,940	1.27	1.46

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

(12) Provisions :

This item is made up as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
Balance as of 1/1/2010	2,349,862	1,315,009	1.81	1.12
Less: Stamp tax of publication	203,708	–	0.16	–
Less: Difference price - raw material	484,093	–	0.37	–
	1,662,061	1,315,009	1.28	1.12
Add: Created During the year	260,000	1,034,853	0.20	0.88
Balance as of 31/12/2010	1,922,061	2,349,862	1.48	2.00
This item is made up as follows				
Outstanding Liabilities	1,819,292	2,247,093	1.40	1.91
Tax provisions	102,769	102,769	0.08	0.09
	1,922,061	2,349,862	1.48	2.00

(13) Related Parties (Credit) :

This item is made up as follows :-

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	EGP	EGP	Rs. Crore	Rs. Crore
Marico India Company	246,311	1,053,067	0.19	0.89
Payables and notes payable	246,311	1,053,067	0.19	0.89

(14) Suppliers and notes payable :

This item is made up as follows :-

	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	EGP	EGP	Rs. Crore	Rs. Crore
Payables	5,623,170	2,644,835	4.33	2.24
Notes payable	2,931,828	3,258,404	2.26	2.76
	8,554,998	5,903,239	6.59	5.00

(15) Creditors and other credit accounting :

This item is made up as follows :-

	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	EGP	EGP	Rs. Crore	Rs. Crore
Accrued expenses	3,468,535	1,940,100	2.67	1.65
Sales tax authority	3,282,858	2,786,897	2.53	2.36
Expats Salaries	768,960	378,586	0.59	0.32
Stamp duty tax	386,907	–	0.30	–
Withholding tax	278,974	47,962	0.21	0.04
Salaries & wages tax	172,522	24,171	0.13	0.02
Social Insurance	13,662	13,502	0.01	0.01
Workers fund box	2,978	–	–	–
	8,375,396	5,191,218	6.44	4.40

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2010

(16) Issued and fully paid capital :

The company's authorized capital is EGP 20,000,000 (Twenty million Egyptian pounds) (Rs. 15.40 crores) and the issued capital is EGP 12,287,690 (Twelve million two hundred eighty seven thousand and six hundred ninety Egyptian pounds)(Rs. 9.46 crores) distributed into 1,228,769 shares, the value of each share is EGP 10 distributed among the shareholders as follows:-

Name	Nationality	Amount of share	Share EGP	Share Rs. Crore
MEL Co. for Consumer Care Products SAE & according to law No 159/1981 and it's Represented by Mr/Ravin mody	SAE	1,216,481	12,164,810	9.37
Mr. BRIJESH BAJPAI	Indian	6,144	61,440	0.05
Mr. RAVIN MODY	Indian	6,144	61,440	0.05
Total		1,228,769	12,287,690	9.47

(17) Legal reserves :-

We calculate 5% from retained profits which amounted EGP 19,053,851 (Rs. 14.67 Crore) and this according to article No.(44) from law No.159 year 1981 and it's amendments and also according to article No.(55) from Company contract and it's amounted EGP 952,693(Rs.0.73 Crore)

(18) Contingent Liabilities

This item is made up as follows :-

	L/C Value EGP	L/C Cover EGP	L/C Non Cover EGP	L/C Value Rs. Crore	L/C Cover Rs. Crore	L/C Non Cover Rs. Crore
L/C Machineries	4,368,368	1,582,981	2,785,387	3.36	1.22	2.14
L/C Raw materials	911,035	91,103	819,932	0.70	0.07	0.63
	5,279,403	1,674,084	3,605,319	4.06	1.29	2.77

(19) The cost has been reduced by value of export subsidies of EGP 104,493 (Rs. 0.08 Crore) according to Egyptian accounting standard No. (12) for government grants and disclosures of government assistance, paragraph no. (30)

	Paid Documents Value EGP	Paid EGP	Non Paid EGP	Paid Documents Value Rs. Crore	Paid Rs. Crore	Non Paid Rs. Crore
Paid Documents for suppliers	2,115,765	1,572,165	543,600	1.63	1.21	0.42
	2,115,765	1,572,165	543,600	1.63	1.21	0.42

(20) Taxation :

First : Corporate Tax:-

The company exemption from 1/1/2007 till 31/12/2016 according to company tax card.

Second : Sales Tax

The company's books were examined till December 31, 2009 there was tax difference amounted to EGP 108,401 this tax difference was fully paid. Books of the company were examined till December 31, 2009 from Sales Tax Authority with form no. 15 without any obligation

(21) Comparison figures have been reclassified to confirm with current year classification.

Chairman

Financial Manager

Board of Directors

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

Padmanabh Maydeo

John Richard Mason

Registered Office

1474 South Coast Road
Mobeni 4052

Factory

1474 South Coast Road
Mobeni 4052

Auditors

Deloitte & Touche

Bankers

Standard Bank of South Africa Ltd

Legal Advisors

Adams & Adams - Patent and Trademark Attorneys
Deneys Reitz, Commercial Attorneys

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the maintenance of adequate accounting records and for the preparation and integrity of the group annual financial statements and related information. The auditors are responsible to report on the fair presentation of the group annual financial statements. The group financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Company's and group independent external auditors have audited the group financial statements and their report appears on page 2.

The directors are also responsible for the Company's system of internal control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the group financial statements and to adequately safeguard, verify and maintain accountability for assets, to record all liabilities, and to prevent and detect misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The group financial statements have been prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for the foreseeable future.

DIRECTORS' APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS

The annual financial statements and group annual financial statements for the period ended 31 March 2011 were approved by the directors on 25 April 2011 and are signed on its behalf by:

PS Maydeo
Operations Director

JR Mason
Managing Director

DIRECTORS' REPORT

31 March 2011

The directors have pleasure in presenting their report which forms part of the financial statements of Marico South Africa Consumer Care (Proprietary) Limited ("the Company") as well as the group financial statements which includes the financial results of Marico South Africa (Proprietary) Limited and CPF international (Proprietary) Limited, for the period ended 31 March 2011.

NATURE OF BUSINESS

The Company is an investment holding company with an interest in Marico South Africa (Proprietary) Limited which manufactures and distributes a wide range of personal care and affordable complementary health care products and CPF International (Proprietary) Limited which is currently a dormant company.

GENERAL REVIEW

Marico South Africa Consumer Care (Proprietary) Limited was incorporated on 6 September 2007 to act as an investment holding company in South Africa for its holding company, Marico Limited which is incorporated in India. The Company subsequently purchased the entire share capital of Marico South Africa (Proprietary) Limited effective on the 31 October 2007. Marico South Africa (Proprietary) Limited holds 100% of the issued share capital of CPF International (Proprietary) Limited.

As the Company is the ultimate South African parent, consolidated financial statements have also been presented which include the financial results of Marico South Africa (Proprietary) Limited and CPF International (Proprietary) Limited ("the Group").

DIVIDENDS

No dividends were paid, declared or recommended during the current or prior year.

SHARE CAPITAL

There have been no changes to the Company's authorised or issued share capital during the period.

SUBSEQUENT EVENTS

The directors are not aware of any matters or circumstances which are material to the financial affairs of the Company or the Group which have occurred between the balance sheet date and the date of approval of the financial statements that have not been otherwise dealt with in the financial statements.

GOING CONCERN

The Company generated a loss for the period of R272 462 (2010: R482 770). At 31 March 2011 the Company's total assets exceeded its total liabilities by R40 543 122 (2010: R40 815 584).

The Group generated a loss for the period of R1 961 154 (2009: R4 364 110). At 31 March 2011 the Group's total assets exceeded its total liabilities by R35 976 102 (2010: R37 937 256). The Company has no external debt apart from its loan from the holding company. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

The Company has subordinated its loan to Marico South Africa (Proprietary) Limited of R76 102 185 (2010: R55 852 421).

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DIRECTORS

The directors in office at period end and at the date of this report were as follows:

JR Mason

H Mariwala (Indian National)

M Sarwate (Indian National)

V Subramaniam (Indian National)

P Maydeo (Indian National)

DIRECTORS' REPORT

DIRECTORS' EMOLUMENTS

No amounts were paid to directors at Company level. Refer to note 19 for details of directors' emoluments at Group level.

SECRETARY

A Company Secretary has not been appointed for Marico South Africa Consumer Care (Proprietary) Limited.

REGISTERED OFFICE

1474 South Coast Road
Mobeni
4052

POSTAL ADDRESS

P O Box 32003
Mobeni
4060

HOLDING COMPANY

Marico Limited holds 100% of the Company's issued share capital. Marico Limited is incorporated in India.

SUBSIDIARY

The Company holds 100% of the issued share capital of Marico South Africa (Proprietary) Limited.

RELATED PARTY BALANCES

Refer to note 17 for details of the terms and conditions of the balances outstanding from and to the holding company, fellow subsidiaries and subsidiaries.

AUDITORS

Deloitte Touche

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF MARICO SOUTH AFRICA CONSUMER CARE (PROPRIETARY) LIMITED

We have audited the annual financial statements of Marico South Africa Consumer Care (Proprietary) Limited, which comprise the consolidated and separate statements of financial position as at 31 March 2011 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the period then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 173 to 198.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Marico South Africa Consumer Care (Proprietary) Limited as at 31 March 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Registered Auditors

Per Mthoko Luthuli

Partner

Date : 25 April, 2011

GROUP STATEMENT OF FINANCIAL POSITION

As at March 31, 2010

	Note	Group				Company			
		ZAR	ZAR	Rs. Crore	Rs. Crore	ZAR	ZAR	Rs. Crore	Rs. Crore
		2011	2010	2011	2010	2011	2010	2011	2010
ASSETS									
Non-current assets		98,856,426	84,370,618	65.07	52.02	101,232,233	101,337,976	66.63	62.49
Property, plant and equipment	2	4,146,333	5,375,508	2.73	3.31	–	–	–	–
Intangible assets	3	49,330,489	33,330,489	32.47	20.55	–	–	–	–
Investment in subsidiary	4	–	–	–	–	45,485,555	45,485,555	29.94	28.05
Deferred taxation	5	7,692,781	7,977,798	5.06	4.92	–	–	–	–
Goodwill	6	37,686,823	37,686,823	24.81	23.24	–	–	–	–
Amount due from Subsidiary	4	–	–	–	–	55,746,678	55,852,421	36.69	34.44
Current assets		46,802,165	34,076,960	30.81	21.01	20,643,222	680,861	13.59	0.42
Trade and other receivables	7	24,739,259	18,197,007	16.28	11.22	–	–	–	–
Inventories	8	18,103,578	12,275,036	11.92	7.57	–	–	–	–
Cash and cash equivalents		3,959,328	3,604,917	2.61	2.22	287,715	680,861	0.19	0.42
Amounts due from fellow subsidiary	4	–	–	–	–	20,355,507	–	13.40	–
TOTAL ASSETS		145,658,591	118,447,578	95.88	73.03	121,875,455	102,018,837	80.22	62.91
EQUITY AND LIABILITIES									
EQUITY									
Share capital and reserves		35,976,102	37,937,256	23.68	23.39	40,543,122	40,815,584	26.69	25.17
Share capital	9	800	800	–	–	800	800	–	–
Share premium	9	43,799,900	43,799,900	28.83	27.01	43,799,900	43,799,900	28.83	27.01
Accumulated loss		(7,824,598)	(5,863,444)	(5.15)	(3.62)	(3,257,578)	(2,985,116)	(2.14)	(1.84)
LIABILITIES									
Non-current liabilities									
Amounts due to holding company	12	60,956,826	61,183,253	40.12	37.73	60,956,826	61,183,253	40.12	37.73
Current liabilities		48,725,663	19,327,069	32.08	11.91	20,375,507	20,000	13.41	0.01
Trade and other payables	10	26,781,642	17,729,464	17.63	10.92	20,000	20,000	0.01	0.01
Provisions	11	1,588,514	1,597,605	1.05	0.99	–	–	–	–
Amounts due to holding company	12	20,355,507	–	13.40	–	20,355,507	–	13.40	–
TOTAL EQUITY AND LIABILITIES		145,658,591	118,447,578	95.88	73.03	121,875,455	102,018,837	80.22	62.91

NCK Vinay
Financial Director

PS Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March, 2011

	Note	Group				Company			
		ZAR 2011	ZAR 2010	Rs. Crore 2011	Rs. Crore 2010	ZAR 2011	ZAR 2010	Rs. Crore 2011	Rs. Crore 2010
Revenue		137,813,935	104,834,062	90.71	64.64	-	-	-	-
Cost of sales		(70,652,366)	(50,988,489)	(46.50)	(31.44)	-	-	-	-
Gross profit		67,161,569	53,845,573	44.21	33.20	-	-	-	-
Selling and distribution costs		(31,227,123)	(26,127,536)	(20.55)	(16.11)	-	-	-	-
Administration costs		(30,709,629)	(25,863,510)	(20.21)	(15.95)	(4,959)	(27,669)	-	(0.02)
Other operating expenses		(1,464,442)	(3,308,907)	(0.96)	(2.04)	-	-	-	-
Other income		308,454	62,200	0.20	0.04	-	62,200	-	0.04
Profit / (Loss) before finance cost and taxation		4,068,829	(1,392,180)	2.69	(0.86)	(4,959)	34,531	-	0.02
Net finance costs		(5,744,966)	(6,049,158)	(3.78)	(3.73)	(267,503)	(517,301)	(0.17)	(0.32)
Finance costs		(5,927,051)	(6,350,599)	(3.90)	(3.92)	(5,927,051)	(6,350,599)	(3.90)	(3.92)
Finance income		182,085	301,441	0.12	0.19	5,659,548	5,833,298	3.73	3.60
Loss before taxation		(1,676,137)	(7,441,338)	(1.09)	(4.59)	(272,462)	(482,770)	(0.17)	(0.30)
Taxation	15	(285,017)	3,077,228	(0.19)	1.90	-	-	-	-
Loss for the year		(1,961,154)	(4,364,110)	(1.28)	(2.69)	(272,462)	(482,770)	(0.17)	(0.30)
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive loss for the year		(1,961,154)	(4,364,110)	(1.28)	(2.69)	(272,462)	(482,770)	(0.17)	(0.30)

NCK Vinay
Financial Director

PS Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended March 31, 2011

	Share capital ZAR	Share premium ZAR	Accumulated Loss ZAR	Total ZAR	Share capital Rs.Crore	Share premium Rs.Crore	Accumulated Loss Rs.Crore	Total Rs.Crore
Group								
Balance at 1st April 2009	800	43,799,900	(1,499,334)	42,301,366	-	23.38	(0.80)	22.58
Total comprehensive loss for the period	-	-	(4,364,110)	(4,364,110)	-	-	(2.69)	(2.69)
Balance at 31 March 2010	800	43,799,900	(5,863,444)	37,937,256	-	27.01	(3.62)	23.39
Total comprehensive loss for the period	-	-	(1,961,154)	(1,961,154)	-	-	(1.29)	(1.29)
Balance at 31 March 2011	800	43,799,900	(7,824,598)	35,976,102	-	28.83	(5.15)	23.68
Company								
Balance at 1st April 2009	800	43,799,900	(2,502,346)	41,298,354	-	23.38	(1.34)	22.04
Total comprehensive loss for the period	-	-	(482,770)	(482,770)	-	-	(0.30)	(0.30)
Balance at 31 March 2010	800	43,799,900	(2,985,116)	40,815,584	-	27.00	(2.00)	25.00
Total comprehensive loss for the period	-	-	(272,462)	(272,462)	-	-	(0.18)	(0.18)
Balance at 31 March 2011	800	43,799,900	(3,257,578)	40,543,122	-	28.83	(2.14)	26.69

NCK Vinay
Financial Director

PS Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

CASH FLOW STATEMENT

For the period ended March 31, 2011

	Note	Group				Company			
		ZAR 2011	ZAR 2010	Rs. Crore 2011	Rs. Crore 2010	ZAR 2011	ZAR 2010	Rs. Crore 2011	Rs. Crore 2010
Cash flows from									
Cash generated/ (Utilized)									
by operations	A	1,889,917	(2,008,561)	1.24	(1.24)	(4,959)	(30,469)	–	(0.02)
Finance costs paid		(5,927,051)	(5,995,719)	(3.90)	(3.70)	(5,927,051)	(6,350,599)	(3.90)	(3.92)
Other finance income received		182,085	301,441	0.12	0.19	5,659,548	5,833,298	3.73	3.60
Net cash inflow/ (outflow)									
from operating activities		(3,855,049)	(7,702,839)	(2.54)	(4.75)	(272,462)	(547,770)	(0.17)	(0.34)
Cash flows from investing activities									
(Increase)/decrease in loans receivable		–	(354,871)	–	(0.22)	(20,249,764)	(354,871)	(13.33)	(0.22)
Additions to property, plant and equipment		(189,620)	(1,897,668)	(0.12)	(1.17)	–	–	–	–
Purchase of intangible assets		(16,000,000)	–	(10.53)	–	–	–	–	–
Proceeds on disposal of property, plant and equipment		270,000	10,349	0.18	0.01	–	–	–	–
Net cash outflow from investing activities		(15,919,620)	(2,242,190)	(10.47)	(1.38)	(20,249,764)	(354,871)	(13.33)	(0.22)
Cash flows from financing activities									
Increase in shareholder's loans		20,129,080	896,838	13.25	0.55	20,129,080	541,967	13.25	0.33
Net cash inflow from financing activities		20,129,080	896,838	13.25	0.55	20,129,080	541,967	13.25	0.33
Net increase/(decrease) in cash and cash equivalents		354,411	(9,048,191)	0.24	(5.58)	(393,146)	(360,674)	(0.25)	(0.23)
Cash and cash equivalents at beginning of year		3,604,917	12,653,108	2.37	7.80	680,861	1,041,535	0.45	0.64
Cash and cash equivalents at end of year		3,959,328	3,604,917	2.61	2.22	287,715	680,861	0.20	0.41

NCK Vinay
Financial Director

PS Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 March 2011

	Note	Group				Company			
		ZAR 2011	ZAR 2010	Rs. Crore 2011	Rs. Crore 2010	ZAR 2011	ZAR 2010	Rs. Crore 2011	Rs. Crore 2010
A. CASH GENERATED/ (UTILISED) BY OPERATIONS									
Loss before taxation		(1,676,137)	(7,441,336)	(1.10)	(4.59)	(272,462)	(482,770)	(0.18)	(0.30)
Adjustments for:									
Depreciation		1,236,521	1,254,542	0.81	0.77	-	-	-	-
Asset write off		26,014	12,878	0.02	0.01	-	-	-	-
profit /Loss on sale of assets		(113,740)	96,412	(0.07)	0.06	-	-	-	-
Finance income		(182,085)	(301,441)	(0.12)	(0.19)	(5,659,548)	(5,833,298)	(3.73)	(3.60)
Finance costs		5,927,051	6,350,599	3.90	3.92	5,927,051	6,350,599	3.90	3.92
(Deaccrease)/Increase in provisions		(9,091)	92,343	(0.01)	0.06	-	-	-	-
Impairments		-	2,000,000	-	1.23	-	-	-	-
Income write backs		-	(61,049)	-	(0.04)	-	-	-	-
Operating profit before working capital changes		5,208,533	2,002,948	3.43	1.23	(4,959)	34,531	(0.01)	0.02
Increase/(Deaccrease) in trade and other receivables		(6,542,252)	(2,858,597)	(4.31)	(1.76)	-	-	-	-
Increase in inventories		(5,828,542)	(1,713,453)	(3.84)	(1.06)	-	-	-	-
Increase in trade and other payables		9,052,178	560,541	5.96	0.35	-	(65,000)	-	(0.04)
		<u>1,889,917</u>	<u>(2,008,561)</u>	<u>1.24</u>	<u>(1.24)</u>	<u>(4,959)</u>	<u>(30,469)</u>	<u>(0.01)</u>	<u>(0.02)</u>

NCK Vinay
Financial Director

PS Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

1 ACCOUNTING POLICIES

1.1 Basis of Preparation

During the current year, the company adopted the following accounting statement:

IAS 1 Presentation of Financial Statements

This statement requires the company to present all non-owner changes in equity (that is, comprehensive income) either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It also requires the company to present a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement.

At the date of authorisation of the financial statements, the following statements and interpretations were issued but not yet effective:

IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	Annual periods beginning on or after 1 July 2010
	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011
IFRS 2	Amendments relating to group cash settled share based payment transactions	Annual periods beginning on or after 1 July 2010.
IFRS 3	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 July 2010.
IFRS 7	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011
IFRS 9	Classification and measurement of financial instruments	Annual periods beginning on or after 1 January 2013.
IAS 1	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011.
IAS 24	Revised definition of related parties	Annual periods beginning on or after 1 January 2011.
IAS 27	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 July 2010.
IAS 32	Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010.
IAS 34	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011.
IFRIC 13	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011.

The company is in the process of evaluating the effect of these new standards and interpretations but they are not expected to have a significant impact on the Company's results and disclosures.

1.2 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales related foreign taxes. Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- * The company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- * The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- * The amount of revenue can be measured reliably;

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

* It is probable that the economic benefits associated with the transaction will flow to the company; and

* The costs incurred or to be incurred in respect of the transaction can be measured reliably.

“Interest is recognised, in profit or loss, using the effective interest rate method.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Costs include cost incurred initially to acquire or an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Leashold Improvements	10 years
Plant and machinery	5-15 years
Motor vehicles	3.33 years
Office equipment	5 years
Furniture and fittings	10 years
Computer equipment	5 years

The depreciation charge for each period is recognised in profit or loss. Useful lives are assessed annually.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is recognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Gains and losses on disposals are determined by reference to their carrying amount and recognised in profit or loss.

1.4 Intangible assets

The useful lives of all intangible assets acquired by the Company are assessed to determine if the useful life is finite or indefinite. Useful lives of intangible assets are reviewed at least at the end of each financial period and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charge for the current and future periods.

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Intangible assets with indefinite useful lives are measured at cost and are not amortised, but are tested for impairment at least annually or whenever any indication of impairment exists.

The following intangible assets currently have an indefinite useful life:

- product registrations; and
- brands.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

1.5 Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, at which case the reversal is treated as a revaluation increase.

1.6 Leasing

Leases which transfer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Other leases are classified as operating leases whereby the leased assets are not recognised on the Company's balance sheet.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a Weighted Average Cost basis. Net realisable value represents the estimated selling price for the inventories less estimated costs of completion and costs necessary to make the sale.

1.8 Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Loan to (from) group companies :

These include loans to associates and are recognised initially at fair value plus direct transaction costs.

The initial fair value of such loans is the cash consideration given or received. However, when there is evidence that the fair value is different to the cash consideration given or received, the initial fair value is determined using a valuation technique and by applying terms and conditions on similar or market-related loans. Any difference between the initial fair value of the loan and the cash consideration given or received is recorded in the income statement immediately.

Subsequently, these loans are measured at amortised cost using the effective interest rate method, less accrual of interest in each period by applying the effective interest rate implicit to the loan to the outstanding balance on the loan. Any repayments received or paid reduce the loan.

Loan receivables bear no interest and where there are no determinable terms of repayment are included in non-current assets on the assumption that repayment will only occur after 12 months from the balance sheet date. Any adjustment arising from applying the effective interest rate method over a 12 month period is ignored if it is immaterial and the loan is then recorded at cost.

Loans to/(from) shareholders

Loans to/(from) shareholders are recognised initially at fair value plus direct transaction costs.

The initial fair value of such loans is the consideration given or received. However, when there is evidence that the fair value is different to the cash consideration given or received, the initial fair value is determined using a valuation technique and by applying terms and conditions on similar market-related loans. Any difference between the initial fair value of the loan and the cash consideration given or received is recorded in the income statement immediately.

Subsequently, these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. The amortised cost method results in the accrual of interest in each period by applying the effective interest rate implicit to the loan to the outstanding balance on the loan. Any repayments received or paid reduce the loans.

Trade receivables

Trade receivables are recognised and carried at the original invoice less an allowance for any uncollectible amounts. An allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and other short term deposits with an original maturity of three months or less. Cash and cash equivalents are short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. For purposes of the cash flow statement, cash and cash equivalents comprise cash and cash equivalents defined above, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

1.9 Foreign currency transactions

Transactions in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the statement of financial position date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured on the historical cost basis are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

1.10 Employee Benefits

Defined contribution plans

Payments to defined contribution retirement plans are charged as an expense in profit or loss when employees have rendered service entitling them to the contribution.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash bonuses or performance bonuses and leave pay if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.11 Provisions and contingencies

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount of the provision is discounted using a pre-tax discount rate when the effect of the expected future cash flow related to the provision is not expected to occur soon after balance sheet date and the effect of discounting is material. Provisions are reviewed annually to reflect the current best estimates of the expenditure required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is not treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

1.11.1 Owners contracts

Where the company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. In determining the measurement of the provision resulting from an onerous contract, the company considers the least net unavoidable cost of exiting the contract, which is generally the lower of cost of fulfilling the contract and any

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

compensation or penalties arising from failure to fulfil it. The company also considers any impairment losses that have occurred on assets dedicated to the onerous contract.

1.11.2 Restructurings

A constructive obligation to restructure arises when the company has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and a timeline identifying when the plan will be implemented. Furthermore, a constructive obligation to restructure only arises when the company has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing the main features of the restructuring plan. The restructuring provision that is raised when the company has a restructuring plan includes only those direct expenses entailed by the restructuring that are not associated with the ongoing activities of the company.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes to the annual financial statements.

1.12 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- goodwill for which amortisation is not deductible for tax purposes; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither the accounting profit nor taxable profit/(loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or acquirer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future

A deferred tax assets is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

A deferred tax assets is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.13 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of the business combination is measured as the aggregate of the acquisition date fair values of assets transferred, liabilities incurred, and equity instruments issued by the Group in exchange for control of the 17 acquire, plus any costs directly attributable to the business combination. The 17 acquire's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

1.14 Judgments made by management

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. There are no accounting policies that have been identified as involving particularly complex or subjective judgments or assessments other than the assessment of impairment of goodwill. Refer to notes for all relevant disclosures.

Judgements made by management that could have a significant effect on the amounts recognized in the financial statements include:

- useful lives and residual values used to calculate the depreciation of equipment;
- future cash flows to test for impairment of equipment; and
- recoverability of accounts receivable.

1.15 Key sources of estimation uncertainty

There are no key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date that management have assessed as having a significant risk of causing material adjustments to the carrying amounts of the assets and liabilities within the next financial period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

2 PROPERTY, PLANT AND EQUIPMENT**Group**

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore
At 31 March 2011						
Buildings and leasehold improvements	2,851,041	(1,186,237)	1,664,804	1.88	(0.78)	1.10
Plant and machinery	5,014,029	(3,195,599)	1,818,430	3.30	(2.10)	1.20
Motor vehicles	357,049	(331,817)	25,232	0.24	(0.22)	0.02
Office furniture and computer equipment	2,093,169	(1,455,302)	637,867	1.38	(0.96)	0.42
	10,315,288	(6,168,955)	4,146,333	6.79	(4.06)	2.73

Movement summary - 31 March 2011

	Opening carrying value	Additions	Transfer	Write off and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR	ZAR
Buildings and leasehold improvements	1,949,969	–	–	–	(285,165)	1,664,804
Plant and machinery	2,456,815	4,200	–	(142,201)	(500,384)	1,818,430
Motor vehicles	126,551	–	–	(4,414)	(96,905)	25,232
Office furniture and computer equipment	418,752	185,420	397,407	(9,645)	(354,067)	637,867
Capital work in progress	423,421	–	(397,407)	(26,014)	–	–
	5,375,508	189,620	–	(182,274)	(1,236,521)	4,146,333

Movement summary - 31 March 2011

	Opening carrying value	Additions	Transfer	Write off and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.28	–	–	–	(0.19)	1.09
Plant and machinery	1.62	–	–	(0.09)	(0.33)	1.20
Motor vehicles	0.08	–	–	–	(0.06)	0.02
Office furniture and computer equipment	0.28	0.12	0.26	(0.01)	(0.23)	0.42
Capital work in progress	0.28	–	(0.26)	(0.02)	–	0.00
	3.54	0.12	–	(0.12)	(0.81)	2.73

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

Company

No items of property, plant and equipment are held at a Company level.

Group

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore
At 31 March 2011						
Buildings and leasehold improvements	2,851,041	(901,074)	1,949,967	1.88	(0.59)	1.28
Plant and machinery	5,212,699	(2,755,883)	2,456,816	3.43	(1.81)	1.62
Motor vehicles	386,270	(259,720)	126,550	0.25	(0.17)	0.08
Office furniture and computer equipment	1,534,514	(1,115,760)	418,754	1.01	(0.73)	0.28
Capital work in progress	423,421		423,421	0.28	–	0.28
	10,407,945	(5,032,437)	5,375,508	6.85	(3.31)	3.54

Movement summary – 31 March 2010

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR
Buildings and leasehold improvements	2,031,034	196,015	–	(277,080)	1,949,969
Plant and machinery	1,903,850	1,122,071	–	(569,106)	2,456,815
Motor vehicles	236,743	5,999	–	(116,191)	126,551
Office furniture and computer equipment	644,030	176,177	(109,290)	(292,165)	418,752
Capital work in progress	330,197	397,406	(304,182)	–	423,421
	5,145,854	1,897,668	(413,472)	(1,254,542)	5,375,508

Movement summary – 31 March 2010

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.25	0.12	–	(0.17)	1.20
Plant and machinery	1.17	0.69	–	(0.35)	1.51
Motor vehicles	0.15	–	–	(0.07)	0.08
Office furniture and computer equipment	0.40	0.11	(0.07)	(0.18)	0.26
Capital work in progress	0.20	0.25	(0.19)	–	0.26
	3.17	1.17	(0.26)	(0.77)	3.31

Company

No items of property, plant and equipment are held at a Company level.

No items of plant and equipment were held under instalment sale agreements as at 31 March 2011 (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

3 INTANGIBLE ASSETS**Movement summary - 31 March 2011**

Group	Opening carrying Value ZAR	Additions ZAR	Impairments ZAR	Closing carrying Value ZAR	Opening carrying Value Rs. Crore	Additions Rs. Crore	Impairments Rs. Crore	Closing carrying Value Rs. Crore
Brands	33,330,489	16,000,000	–	49,330,489	21.94	10.53	–	32.47
	<u>33,330,489</u>	<u>16,000,000</u>	<u>–</u>	<u>49,330,489</u>	<u>21.94</u>	<u>10.53</u>	<u>–</u>	<u>32.47</u>

Movement summary – 31 March 2010

Group	Opening carrying Value ZAR	Additions ZAR	Impairments ZAR	Closing carrying Value ZAR	Opening carrying Value Rs. Crore	Additions Rs. Crore	Impairments Rs. Crore	Closing carrying Value Rs. Crore
Brands	35,330,489	–	(2,000,000)	33,330,489	21.78	–	(1.23)	20.55
	<u>35,330,489</u>	<u>–</u>	<u>(2,000,000)</u>	<u>33,330,489</u>	<u>21.78</u>	<u>–</u>	<u>(1.23)</u>	<u>20.55</u>

Company

No intangible assets are held at a Company level.

The Group has classified its intangible assets as having indefinite useful lives. This conclusion supported by the fact that the Group is expected to be able to use the brands for the foreseeable future and that the typical product life cycles for the brands, acquired against public information on estimates of useful lives, indicate that the intangible asset has an indefinite period of foreseeable usage. This is further supported by the stability of the pharmaceutical and complimentary medicine industry and the strong demand in markets within which these products are marketed and sold.

Detailed impairment testing is performed for the indefinite-life intangible assets annually. The impairment review process is as follows:

Each period and whenever impairment indicators are present, management calculate the fair value of the asset and record an impairment loss for the excess of the carrying value over the fair value, if any.

The fair value is generally measured as the net present value of projected cash flows. In addition, a re-evaluation of the remaining useful life of the asset is performed to determine whether continuing to characterise the asset as having an indefinite life is, appropriate.

The recoverable amounts have been determined based on a value-in-use calculation. The calculation uses a free cash flow model that discounts the free cash flow available from profit after tax generated by the intangible asset. If the resulting net present value exceeds the carrying value of the intangible asset, the intangible asset is not impaired. However, if the resulting net present value is less than the carrying value, impairment is provided for.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

4 INVESTMENT IN SUBSIDIARY

	Group				Company			
	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore
Unlisted shares at cost less impairment losses – non current	-	-	-	-	45,485,555	45,485,555	29.94	28.05
Amounts due from subsidiary								
- Current portion	-	-	-	-	20,355,507	-	13.40	-
- Non Current portion	-	-	-	-	55,746,678	55,852,421	36.69	34.44
Net investment in subsidiaries	-	-	-	-	121,587,740	101,337,976	80.03	62.49
Director's valuation of unlisted investment	-	-	-	-	121,587,740	101,337,976	80.03	62.49

The current portion was advanced to Marico South Africa (Proprietary) Limited in the current year. This amount is payable within 12 months and bears interest at a rate of 10.5%.

5 DEFERRED TAXATION

	Group				Company			
	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore
Opening balance	(7,977,798)	(4,900,570)	(5.25)	(3.02)	-	-	-	-
Current year charge to statement of comprehensive income	285,017	(3,077,228)	0.19	(1.90)	-	-	-	-
Closing balance	(7,692,781)	(7,977,798)	(5.06)	(4.92)	-	-	-	-
Property, plant and equipment	(51,733)	(62,610)	(0.03)	(0.04)	-	-	-	-
Operating leases	(166,327)	(166,327)	(0.11)	(0.10)	-	-	-	-
Employee benefit accruals	(444,784)	(447,329)	(0.29)	(0.28)	-	-	-	-
Provision for doubtful debts	(258,773)	(134,277)	(0.17)	(0.08)	-	-	-	-
Other Provisions	(1,843,439)	(1,649,399)	(1.21)	(1.02)	-	-	-	-
Tax losses carried forward	(4,927,725)	(5,517,856)	(3.24)	(3.40)	-	-	-	-
Tax (assets)/ liabilities	(7,692,781)	(7,977,798)	(5.05)	(4.92)	-	-	-	-

Deferred tax assets recognised on the assumption that the assets will be recovered through use. The statutory tax rate of 28% was used to compute deferred taxation balances.

No deferred tax asset has been recognised at Company level as it is not probable that future taxable profits will be available against which temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

6 GOODWILL

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Carrying Value at the end of the year	37,686,823	37,686,823	24.81	23.24	-	-	-	-

Goodwill has been assessed for impairment in terms of IAS 36. Based on future expected cash flows from the subsidiary, Marico South Africa (Proprietary) Limited, no impairment is considered necessary.

7 TRADE AND OTHER

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
RECEIVABLES								
Trade receivables	29,036,996	22,533,561	19.11	13.89	-	-	-	-
Provision for doubtful debtors	(1,908,917)	(1,491,473)	(1.26)	(0.92)	-	-	-	-
Provision for rebates	(4,501,022)	(4,445,759)	(2.96)	(2.74)	-	-	-	-
Other receivables	2,112,203	1,600,678	1.39	0.99	-	-	-	-
	24,739,260	18,197,007	16.28	11.22	-	-	-	-

The fair value of trade and other receivables is not materially different to the carrying values presented.

8 INVENTORIES

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Raw materials	10,614,091	6,697,519	6.99	4.13	-	-	-	-
Work in progress	431,138	618,151	0.28	0.38	-	-	-	-
Finished goods	8,186,241	5,552,253	5.39	3.42	-	-	-	-
	19,231,470	12,867,923	12.66	7.93	-	-	-	-
Provision for obsolescence	(1,127,892)	(592,887)	(0.74)	(0.37)	-	-	-	-
	18,103,578	12,275,036	11.92	7.56	-	-	-	-

The Group identifies specific items and product lines that are slow moving or that should be discontinued and provide 100% for those items.

No inventories were held on consignment or in transit at period end.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

9 SHARE CAPITAL AND SHARE PREMIUM

	Group				Company			
	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore
Share capital								
Authorised								
1000 ordinary shares of 1 Rand each	1,000	1,000	-	-	1,000	1,000	-	-
Issued								
800 ordinary shares of 1 Rand each	800	800	-	-	800	800	-	-
The unissued share capital is under the control of the directors of the Group and the Company until the next annual general meeting of the shareholders.								
Share premium								
Share premium	43,799,900	43,799,000	28.83	27.01	43,799,900	43,799,900	28.83	27.01

10 TRADE AND OTHER PAYABLES

	Group				Company			
	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore
Trade payables	6,472,743	6,063,894	4.26	3.74	-	-	-	-
Other payables	20,288,899	11,665,570	13.35	7.19	20,000	20,000	0.01	0.01
	26,761,642	17,729,464	17.61	10.93	20,000	20,000	0.01	0.01

11 PROVISIONS

	Opening balance	Movement	Closing balance	Opening balance	Movement	Closing balance
	ZAR	ZAR	ZAR	Rs.Crore	Rs.Crore	Rs.Crore
Provision for leave pay	455,538	127,869	583,407	0.30	0.08	0.38
Provision for bonuses	1,142,067	(136,960)	1,005,107	0.75	(0.09)	0.66
	1,597,605	(9,091)	1,588,514	1.05	(0.01)	1.04

There were no provisions in the company. This note relates to the Group

12 AMOUNTS DUE TO HOLDING COMPANY

	Group				Company			
	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore	2011 ZAR	2010 ZAR	2011 Rs.Crore	2010 Rs.Crore
Marico Limited								
Current Portion	60,956,826	61,183,253	40.12	37.73	60,956,826	61,183,253	40.12	37.73
Non current Portion	20,355,507	-	13.40	-	20,355,507	-	13.40	-

The loan is unsecured. The non-current portion of the loan is repayable in four years and bears interest at the 6 month London Interbank Rate plus 7%

The current portion of the loan is repayable within 12 months and bears interest at a rate of 10.5%.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

13 (LOSS) / PROFIT BEFORE FINANCE COSTS AND TAXATION

(LOSS) before finance costs and taxation is stated after taking the following into account:

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Income								
(Loss) / Profit on disposal of property, plant & equipment	(113,740)	96,412	(0.07)	0.06	-	-	-	-
Expenditure								
Auditor's remuneration								
- audit fees	512,164	458,962	0.34	0.28	-	20,000	-	0.01
Depreciation	1,236,521	1,254,542	0.81	0.77	-	-	-	-
Fixed asset written off	-	109,290	-	0.07	-	-	-	-
Lease rentals	3,632,886	2,466,248	2.39	1.52	-	-	-	-
Staff costs (including director emoluments-refer note 19)	19,151,145	20,919,595	12.61	12.90	-	-	-	-
	-	-	-	-				
Number of employees	116	117						

14 NET FINANCE COSTS

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Interest on bank account	182,085	301,441	0.12	0.19	24,682	55,676	0.02	0.03
Interest on shareholder loan to Marico South Africa (Pty) Ltd.	-	-	-	-	5,634,865	5,777,622	3.71	3.56
Finance income	182,085	301,441	0.12	0.19	5,659,547	5,833,298	3.73	3.59
Interest on shareholder loans from Marico Limited	(5,927,051)	(6,350,599)	(3.90)	(3.92)	(5,927,051)	(6,350,599)	(3.90)	(3.92)
Finance cost	(5,927,051)	(6,350,599)	(3.90)	(3.92)	(5,927,051)	(6,350,599)	(3.90)	(3.92)
Net finance cost	(5,744,966)	(6,049,158)	(3.78)	(3.73)	(267,504)	(517,301)	(0.17)	(0.33)

15 INCOME TAX EXPENSE

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Deferred tax expense								
Current	434,749	1,918,129	0.29	1.18	-	-	-	-
Prior year underprovision	(719,766)	1,159,099	(0.47)	0.71	-	-	-	-
	(285,017)	3,077,228	(0.18)	1.89	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

	Group		Company	
	2011	2010	2011	2010
	%	%	%	%
Reconciliation of tax rate				
Current period as a percentage of profit	(20.31)	41.35	–	–
Adjusted for:				
- Permanent differences	(2.97)	2.23	28.00	28.00
- Prior period adjustments	51.28	(15.58)		
SA normal tax rate	28.00	28.00	28.00	28.00

"No provision has been made for current taxation as the Group has an estimated tax loss of R17599015 (Rs, 10.3 Crore) (2010: R19706631). The Group recognises deferred tax assets to the extent that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Refer to note 5 for further details."

No assessed loss has been carried forward for the Company.

16 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist primarily of deposits with banks, short term investments, trade accounts receivable and payable and loans to and from the holding company and subsidiaries. Financial instruments are carried at fair value or amounts that approximate fair value.

Categories of financial instruments

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Financial assets								
Loans and receivables	28,698,587	21,801,924	18.89	13.44	76,389,900	56,533,282	50.28	34.86
Trade and other receivables	24,739,259	18,197,007	16.28	11.22	–	–	–	–
Cash equivalents	3,959,328	3,604,917	2.61	2.22	287,715	680,861	0.19	0.42
Inter-company balances	–	–	–	–	76,102,185	55,852,421	50.09	34.44
Financial liabilities								
Financial liabilities measured at amortised cost	108,093,975	78,912,717	71.15	48.66	81,332,333	61,203,253	53.53	37.74
Interest bearing liabilities	81,312,333	61,183,253	53.52	37.73	81,312,333	61,183,253	53.52	37.73
Trade and other payables	26,781,642	17,729,464	17.63	10.93	20,000	20,000	0.01	0.01

In the normal course of operations, the Group is exposed to credit risk, interest rate risk, liquidity risk and foreign currency risk.

Foreign currency risk management

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group i.e. South African Rand.

There are no foreign currency denominated monetary assets and liabilities at the reporting date.

Foreign currency sensitivity

The Group's exchange rate exposure relates mainly to the Indian Rupee. The following table details the Group's sensitivity to a 10% increase and decrease in the Rand against this foreign currency.

10% is the sensitivity rate that represent's management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

The amounts below indicate the amount by which profit and equity would increase if the Rand strengthens against the relevant currency by 10% respectively.

In 2011 (2010; NIL) there were no foreign currency denominated monetary assets and liabilities at the reporting date .

Interest rate risk management

The Group's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

The Group adopts a policy of regularly reviewing interest rate exposure, and maintains floating rate borrowings

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant in the case of variable rate borrowings. A 50 basis point increase or decrease has been used, as this represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables held constant, the Group's / Company's profit before tax would decrease by:

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Effect on profit before tax	364,846	287,892	0.24	0.18	26,096	3,404	0.02	-

Credit risk management

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables comprise a wide customer base.

At period end there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, grossed up for any allowances for losses.

The Group grants credit of 30 days to its customers. The analysis of trade receivables which are past due at period end is as follows:

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Past due by 30 days	9,020,640	6,239,484	5.94	4.11	-	-	-	-
Past due by 60 days	1,616,257	3,182,864	1.06	2.09	-	-	-	-
Past due by 90 days	2,669,695	2,191,479	1.76	1.44	-	-	-	-
Total trade receivables	13,306,592	11,613,827	8.76	7.64	-	-	-	-

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash resources and ensuring the availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility by monitoring cash flow forecast, good working capital management and ensuring adequate borrowing facilities are maintained.

The following table details the Group and Company's remaining contractual maturity of its non-derivative financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

Group – 2011	Average interest rate	Within 1 Year	Greater than 2 years	Total
		ZAR	ZAR	ZAR
Trade and other payables	0.00%	26,781,642	–	26,781,642
Interest bearing shareholders loan from Marico Limited				
– Non-Current Portion	7.61%	–	60,956,826	60,956,826
– Current Portion	10.50%	20,355,507	–	20,355,507
		<u>47,137,149</u>	<u>60,956,826</u>	<u>108,093,975</u>

Group – 2010	Average interest rate	Within 1 Year	Greater than 2 years	Total
Trade and other payables	0.00%	17,729,464	–	17,729,464
Interest bearing shareholder loan from Marico Limited	8.19%	–	61,183,253	61,183,253
		<u>17,729,464</u>	<u>61,183,253</u>	<u>78,912,717</u>

Group – 2011	Average interest rate	Within 1 Year	Greater than 2 years	Total
		Rs.Crore	Rs.Crore	Rs.Crore
Trade and other payables	0.00%	17.63	–	17.63
Interest bearing shareholders loan from Marico Limited				
– Non Current portion	7.61%	–	40.12	40.12
– Current portion	10.50%	13.40	–	13.40
		<u>31.03</u>	<u>40.12</u>	<u>71.15</u>

Group – 2010	Average interest rate	Within 1 Year	Greater than 2 years	Total
Trade and other payables	0.00%	10.93	–	10.93
Interest bearing shareholder loan from Marico Limited	8.19%	–	37.73	37.73
		<u>10.93</u>	<u>37.73</u>	<u>48.66</u>

Company – 2011	Average Interest rate	Within 1 Year	Greater than 2 years	Total
		ZAR	ZAR	ZAR
Trade and other payables	0.00%	20,000	–	20,000
Interest bearing shareholder loan from Marico Limited – non Current Position	7.61%	–	60,956,826	60,956,826
– Current Position	10.50%	20,355,507	–	20,355,507
		<u>20,375,507</u>	<u>60,956,826</u>	<u>81,332,333</u>

Company – 2010	Average interest rate	Within 1 Year	Greater than 2 years	Total
Trade and other payables	0.00%	20,000	–	20,000
Interest bearing shareholder loan from Marico Limited	8.19%	–	61,183,253	61,183,253
		<u>20,000</u>	<u>61,183,253</u>	<u>61,203,253</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

Company – 2011	Average Interest rate	Within 1 Year	Greater than 2 years	Total
		Rs.Crore	Rs.Crore	Rs.Crore
Trade and other payables	0.00%	0.01	–	0.01
Interest bearing shareholders loan from				
Marico Limited – Non Current Position	7.61%	–	40.00	40.00
– Current Position	10.50%	13.40	–	13.40
		<u>13.41</u>	<u>40.00</u>	<u>53.41</u>
Company – 2010				
Trade and other payables	0.00%	0.01	–	0.01
Interest bearing shareholder loan from Marico Limited	8.19%	–	37.73	37.73
		<u>0.01</u>	<u>37.73</u>	<u>37.74</u>

17 RELATED PARTIES**(a) Identification of related parties**

At 31 March 2011, the holding company of Marico South Africa Consumer Care (Proprietary) Limited is, a listed company incorporated in India, which holds 100% of the company's issued share capital. Marico South Africa Consumer Care (Proprietary) Limited holds 100% of the issued share capital of Marico South Africa (Proprietary) Limited, which in turn owns 100% of CPF International (Proprietary) Limited.

The directors are listed in the directors report.

Transactions with related parties are conducted on an arm's length basis and on the same payment terms as those transacted with third parties. None of the balances are secured.

The Group has a related party relationship with its holding company, subsidiary and with its directors and key management personnel.

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore

(b) Transactions with related parties

The following transactions were carried out by the company with related parties:

Interest income earned

Marico South Africa (Proprietary) Limited	–	–	–	–	5,634,865	5,777,622	3.71	3.56
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Interest expense incurred

Marico Limited	5,927,051	6,350,599	3.90	3.92	5,927,051	6,350,599	3.90	3.92
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Investment in subsidiary

Marico South Africa (Proprietary) Limited	–	–	–	–	45,485,555	45,485,555	29.94	28.05
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(c) Amounts due from related parties

Amounts due from subsidiary

Marico South Africa (Proprietary) Limited	–	–	–	–	76,102,185	55,852,421	50.09	34.44
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(d) Amounts due to related parties

Amounts due to holding company

Marico Limited	81,312,333	61,183,253	53.52	37.73	81,312,333	61,183,253	53.52	37.73
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NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

18 COMMITMENTS

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Capital commitments								
– Plant and equipment	–	39,022	–	0.02	–	–	–	–
Operating lease commitments								
– Within 1 period	1,512,441	1,426,831	1.00	0.88	–	–	–	–
– Between 2 & 5 periods	7,013,330	6,616,349	4.62	4.08	–	–	–	–
– Over 5 periods	–	1,909,422	–	1.18	–	–	–	–
	8,525,771	9,952,602	5.62	6.14	–	–	–	–

The Group leases certain factory facilities under sub-operating leases. The leases run for a period of up to 10 years, with an option to renew the lease after that date.

In determining lease classification, the Group evaluated whether both land and buildings were clearly operating leases or finance leases. Firstly, land title does not pass and because rentals paid to the landlord for the buildings are increased to market-related rates at regular intervals, and because the Group does not participate in the residual value of the building, it was judged that substantially all the risks and rewards of the building are with the landlord. Based on these factors it was concluded that the leases were operating leases.

19 DIRECTORS EMOLUMENTS

No directors emoluments were paid at Company level. Directors emoluments paid in the Group, during the current financial period, are detailed below

	Group				Company			
	2011	2010	2011	2010	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Salary	3,275,169	3,784,557	2.16	2.33	–	–	–	–
other	1,755,616	1,354,275	1.16	0.84	–	–	–	–
	5,030,785	5,138,832	3.32	3.17	–	–	–	–

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

Board of Directors

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

Padmanabh Maydeo

John Richard Mason

Registered Office

1474 South Coast Road

Mobeni 4052

Factory

1474 South Coast Road

Mobeni 4052

Auditors

Deloitte & Touche

Bankers

Standard Bank of South Africa Ltd

Legal Advisors

Adams & Adams - Patent and Trademark Attorneys

Deneys Reitz, Commercial Attorneys

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the maintenance of adequate accounting records and for the preparation and integrity of the annual financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Company's independent external auditors have audited the financial statements and their report.

The directors are also responsible for the Company's system of internal control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability for assets, to record all liabilities, and to prevent and detect misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for the foreseeable future.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the board of directors on 25 April 2011 and are signed on its behalf by:

PS Maydeo
Operations Director

JR Mason
Managing Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

Report on the Financial Statements

We have audited the annual financial statements of Marico South Africa (Proprietary) Limited, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 3 to 26.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Marico South Africa (Proprietary) Limited as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Registered Auditors

Per Mthokozisi Luthuli

Partner

25 April 2011

DIRECTORS' REPORT

31 March 2011

The directors have pleasure in presenting their report which forms part of the annual financial statements of Marico South Africa (Proprietary) Limited ("the Company") for the year ended 31 March 2011.

NATURE OF BUSINESS

The Company manufactures and distributes a wide range of personal care and affordable complementary health care products.

GENERAL REVIEW

The Company's results for the year ended 31 March 2011 are fully disclosed in the attached annual financial statements.

DIVIDENDS

No dividends were paid, declared or recommended during the current or prior financial year.

SHARE CAPITAL

There have been no changes to the Company's authorised or issued share capital during the year.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance which is material to the financial affairs of the Company which has occurred between the reporting date and the date of approval of the annual financial statements, that has not been otherwise dealt with in the financial statements.

GOING CONCERN

The Company generated a net loss for the year of R 1 688 692 (2010: R3 881 340). At 31 March 2011 the Company's total assets exceeded its total liabilities by R 3 231 712 (2010: R4 920 404).

The Company has no external debt apart from its loan from the holding company. Accordingly, the annual financial statements are prepared on the basis of accounting policies applicable to a going concern.

DIRECTORS

The directors in office at year end and at the date of this report were as follows:

JR Mason	V Subramaniam (Indian National)
H Mariwala (Indian National)	P Maydeo (Indian National)
M Sarwate (Indian National)	

DIRECTOR'S EMOLUMENTS

Director's emoluments paid during the year are detailed under note 16. The Company's directors are also directors of the holding company.

SECRETARY

A Company Secretary has not been appointed for Marico South Africa (Proprietary) Limited.

REGISTERED OFFICE

1474 South Coast Road
Mobeni
4052

POSTAL ADDRESS

P O Box 32003
Mobeni
4060

HOLDING COMPANY

Marico South Africa Consumer Care (Proprietary) Limited holds 100% of the Company's issued share capital. The ultimate holding company is Marico Limited, a listed company incorporated in India.

RELATED PARTY BALANCES

Refer to note 15 for details of the terms and conditions of the balances outstanding from and to the holding company, and the subsidiary.

AUDITORS

Deloitte & Touche

STATEMENT OF FINANCIAL POSITION

	Note	As at March 31, 2011			
		2011 ZAR	2010 ZAR	2011 Rs. Crore	2010 Rs. Crore
ASSETS					
Non-current assets		61,169,603	46,683,795	40.26	28.78
Property, plant and equipment	2	4,146,333	5,375,508	2.73	3.31
Intangible assets	3	49,330,489	33,330,489	32.47	20.55
Deferred taxation	4	7,692,781	7,977,798	5.06	4.92
Current assets		46,514,450	33,396,099	30.62	20.58
Trade and other receivables	5	24,739,259	18,197,007	16.28	11.22
Inventories	6	18,103,578	12,275,036	11.92	7.56
Cash and cash equivalents		3,671,613	2,924,056	2.42	1.80
TOTAL ASSETS		107,684,053	80,079,894	70.88	49.36
EQUITY AND LIABILITIES					
EQUITY					
		3,231,712	4,920,404	2.11	3.03
Share capital	7	5,000	5,000	—	—
Share premium	7	22,863,735	22,863,735	15.04	14.10
Accumulated loss		(19,637,023)	(17,948,331)	(12.93)	(11.07)
LIABILITIES					
Non-current liabilities					
Amounts due to holding company	10	55,746,678	55,852,421	36.71	34.42
Current liabilities					
		48,705,663	19,307,069	32.06	11.91
Trade and other payables	8	26,761,642	17,709,464	17.61	10.92
Provisions	9	1,588,514	1,597,605	1.05	0.99
Amounts due to holding company	10	20,355,507	—	13.40	—
TOTAL EQUITY AND LIABILITIES		107,684,053	80,079,894	70.88	49.36

NCK Vinay
Financial Director

P Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

INCOME STATEMENT

	Note	Year ended March 31			
		2011 ZAR	2010 ZAR	2011 Rs. Crore	2010 Rs. Crore
Revenue		137,813,935	104,834,062	90.71	64.64
Cost of sales		(70,652,366)	(50,988,489)	(46.50)	(31.44)
Gross profit		67,161,569	53,845,573	44.21	33.20
Selling and distribution costs		(31,227,123)	(26,127,536)	(20.55)	(16.11)
Administration costs		(30,704,670)	(25,835,841)	(20.21)	(15.93)
Other expenses	11	(1,464,442)	(3,308,907)	(0.96)	(2.04)
Other income	11	308,454	–	0.20	–
Profit (loss) before finance costs and taxation	11	4,073,788	(1,426,711)	2.69	(0.88)
Net finance costs	12	(5,477,463)	(5,531,857)	(3.61)	(3.41)
Finance costs		(5,634,865)	(5,777,622)	(3.71)	(3.56)
Finance income		157,402	245,765	0.10	0.15
Loss before taxation		(1,403,675)	(6,958,568)	(0.92)	(4.29)
Income tax expense	13	(285,017)	3077228	(0.19)	1.90
Loss after taxation		(1,688,692)	(3881340)	(1.11)	(2.39)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the year		(1,688,692)	(3,881,340)	(1.11)	(2.39)

NCK Vinay
Financial Director

P Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2011

	Share capital ZAR	Share Premium ZAR	Accumulated (loss)/profit ZAR	Total ZAR
Balance at 1 April 2009	5,000	22,863,735	(14,066,991)	8,801,744
Total Comprehensive loss for the year	–	–	(3,881,340)	(3,881,340)
Balance at 31 March 2010	5,000	22,863,735	(17,948,331)	4,920,404
Total comprehensive loss for the year	–	–	(1,688,692)	(1,688,692)
Balance at 31 March 2011	5,000	22,863,735	(19,637,023)	3,231,712

Year ended March 31, 2011

	Share capital ZAR	Share Premium ZAR	Accumulated (loss)/profit ZAR	Total ZAR
Balance at 1 April 2009	–	15.05	(9.26)	5.79
Total comprehensive income	–	–	(2.55)	(2.55)
Balance at 31 March 2009	–	15.05	(11.81)	3.24
Total comprehensive loss	–	–	(1.11)	(1.11)
Balance at 31 March 2010	–	15.05	(12.92)	2.13

NCK Vinay
Financial Director

P Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

STATEMENT OF CASH FLOW

	Note	Year ended March 31			
		2011 ZAR	2010 ZAR	2011 Rs. Crore	2010 Rs. Crore
Cash flows from operating activity					
Cash generated by /(utilized in) operations	A	1,894,676	(1,978,083)	1.25	(1.22)
Finance costs paid		(5,634,865)	(5,422,751)	(3.71)	(3.34)
Finance income received		157,402	245,765	0.10	0.15
Net cash outflows from operating activities		(3,582,787)	(7,155,069)	(2.36)	(4.41)
Cash flows from investing activities					
Additions to property, plant and equipment		(189,620)	(1,897,668)	(0.12)	(1.17)
Proceeds on disposal of property, plant and equipment		270,000	10,349	0.18	0.01
Additions to intangible assets		(16,000,000)	–	(10.53)	–
Net cash outflow from investing activities		(15,919,620)	(1,887,319)	(10.47)	(1.16)
Cash flows from financing activities					
Increase in shareholder's loans		20,249,764	354,871	13.33	0.22
Net cash inflow from financing activities		20,249,764	354,871	13.33	0.22
Net increase/(decrease) in cash and cash equivalents		747,557	(8,687,517)	0.50	(5.36)
Cash and cash equivalents at beginning of period		2,924,056	11,611,573	1.92	7.16
Cash and cash equivalents at end of period		3,671,613	2,924,056	2.42	1.80

NCK Vinay
Financial Director

P Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

NOTES TO THE STATEMENT OF CASH FLOW

	Year ended March 31			
	2011 ZAR	2010 ZAR	2011 Rs. Crore	2010 Rs. Crore
A. CASH GENERATED BY/(UTILIZED IN) OPERATIONS				
Loss before taxation	(1,403,675)	(6,958,566)	(0.92)	(4.29)
Adjustments for:				
Non- cash flow items				
Loss/ (Profit) on disposal of property, plant and equipment	(113,740)	96,412	(0.07)	0.06
Depreciation	1,236,521	1,254,542	0.81	0.77
Impairments	–	2,000,000	–	1.23
Property, Plant and Equipment write off (refer note 2)	26,014	12,878	0.02	0.01
Income write back	–	(61,040)	–	(0.04)
Other adjustments				
Finance income	(157,402)	(245,765)	(0.10)	(0.15)
Finance costs	5,634,865	5,777,622	3.71	3.56
(Decrease)/ Increase in provisions	(9,091)	92,343	(0.01)	0.06
Operating profit before working capital changes	5,213,492	1,968,426	3.44	1.21
Increase in trade and other receivables	(6,542,252)	(2,858,597)	(4.31)	(1.76)
Increase in inventories	(5,828,542)	(1,713,453)	(3.84)	(1.06)
Increase in trade and other payables	9,052,178	625,541	5.96	0.39
Cash generated by/ (utilized in) operations	1,894,876	(1,978,083)	1.25	(1.22)

NCK Vinay
Financial Director

P Maydeo
Operations Director

JR Mason
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.582 / ZAR (Rs. 6.166 / ZAR)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

1 ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. The principal accounting policies adopted are set out below. All new and effective Accounting Standards and Guidance have been adopted and have not had an impact on the results of the company.

Overview of the accounting standards issued

The following new standards, interpretations, technical corrections and amendments, with effective dates on or after 1 July 2010, have been issued:

IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	Annual periods beginning on or after 1 July 2010
	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011
IFRS 2	Amendments relating to group cash settled share based payment transactions	Annual periods beginning on or after 1 July 2010.
IFRS 3	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 July 2010.
IFRS 7	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011
IFRS 9	Classification and measurement of financial instruments	Annual periods beginning on or after 1 January 2013.
IAS 1	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011.
IAS 24	Revised definition of related parties	Annual periods beginning on or after 1 January 2011.
IAS 27	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 July 2010.
IAS 32	Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010.
IAS 34	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011.
IFRIC 13	Amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011.

The Company is in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on the Company's results and disclosures.

1.2 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales related foreign taxes.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest is recognised, in profit or loss, using the effective interest rate method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Costs include cost incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Leashold Improvements	10 years
Plant and machinery	5-15 years
Motor vehicles	3.33 years
Office equipment	5 years
Furniture and fittings	10 years
Computer equipment	5 years

The depreciation charge for each period is recognised in profit or loss. Useful lives are assessed annually.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is recognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Gains and losses on disposals are determined by reference to their carrying amount and recognised in profit or loss.

1.4 Intangible assets

The useful lives of all intangible assets acquired by the Company are assessed to determine if the useful life is finite or indefinite. Useful lives of intangible assets are reviewed at least at the end of each financial period and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charge for the current and future periods.

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Intangible assets with indefinite useful lives are measured at cost and are not amortised, but are tested for impairment at least annually or whenever any indication of impairment exists.

The following intangible assets currently have an indefinite useful life:

- product registrations; and
- brands.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

1.5 Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, at which case the reversal is treated as a revaluation increase.

1.6 Leasing

Leases which transfer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Other leases are classified as operating leases whereby the leased assets are not recognised on the Company's balance sheet.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a Weighted Average Cost basis. Net realisable value represents the estimated selling price for the inventories less estimated costs of completion and costs necessary to make the sale.

1.8 Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Loans from shareholders

Loans from shareholders are recognised initially at fair value plus direct transaction costs.

The initial fair value of such loans is the consideration received. However, when there is evidence that the fair value is different to the cash consideration received, the initial fair value is determined using a valuation technique and by applying terms and conditions on similar market-related loans. Any difference between the initial fair value of the loan and the cash

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For the year ended 31 March 2011

consideration received is recorded in the income statement immediately.

Subsequently, these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. The amortised cost method results in the accrual of interest in each period by applying the effective interest rate implicit to the loan to the outstanding balance on the loan. Any repayments made reduce the loans.

Trade receivables

Trade receivables are recognised and carried at the original invoice less an allowance for any uncollectible amounts. An allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and other short term deposits with an original maturity of three months or less. Cash and cash equivalents are short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash and cash equivalents defined above, net of outstanding bank overdrafts.

1.9 Foreign currency transactions

Transactions in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured on the historical cost basis are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

1.10 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense in profit or loss as they fall due.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash bonuses or performance bonuses and leave pay if the Company has a present legal or constructive obligation to pay this amount as a result of past service

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

provided by the employee and the obligation can be estimated reliably.

1.11 Provisions and contingencies

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount of the provision is discounted using a pre-tax discount rate when the effect of the expected future cash flow related to the provision is not expected to occur soon after balance sheet date and the effect of discounting is material. Provisions are reviewed annually to reflect the current best estimates of the expenditure required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is not treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

1.11.1 Owners contract

Where the company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. In determining the measurement of the provision resulting from an onerous contract, the company considers the least net unavoidable cost of exiting the contract, which is generally the lower of cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The company also considers any impairment losses that have occurred on assets dedicated to the onerous contract.

1.11.2 Restructuring provisions

A constructive obligation to restructure arises when the company has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and a timeline identifying when the plan will be implemented. Furthermore, a constructive obligation to restructure only arises when the company has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing the main features of the restructuring plan. The restructuring provision that is raised when the company has a restructuring plan includes only those direct expenses entailed by the restructuring that are not associated with the ongoing activities of the company.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes to the annual financial statements.

1.12 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- goodwill for which amortisation is not deductible for tax purposes; or

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

- the initial recognition of an asset or liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither the accounting profit nor taxable profit/(loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Taxation expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.13 Judgments made by management

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. There are no accounting policies that have been identified as involving particularly complex or subjective judgments or assessments other than the assessment of impairment of goodwill. Refer to notes for all relevant disclosures.

1.14 Key sources of estimation uncertainty

There are no key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustments to the carrying amounts

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

of the assets and liabilities within the next financial year.

2. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore
At 31 March 2011						
Buildings and leasehold improvements	2,851,041	(1,186,237)	1,664,804	1.88	(0.78)	1.10
Plant and machinery	5,014,029	(3,195,599)	1,818,430	3.30	(2.10)	1.20
Motor vehicles	357,049	(331,817)	25,232	0.24	(0.22)	0.02
Office furniture and computer equipment	2,093,169	(1,455,302)	(27,867)	1.33	(0.96)	0.37
	10,315,288	(6,168,955)	4,146,333	6.75	(4.06)	2.69

	Opening carrying value	Additions	Transfer	Write off and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR	ZAR
Movement summary - 31 March 2011						
Buildings and leasehold improvements	1,949,969	–	–	–	(285,165)	1,664,804
Plant and machinery	2,456,815	4,200	–	(142,201)	(500,384)	1,818,430
Motor vehicles	126,551	–	–	(4,414)	(96,905)	25,232
Office furniture and computer equipment	418,752	185,420	397,407	(9,645)	(354,067)	637,867
Capital work in progress	423,421	–	(397,407)	(26,014)	–	–
	5,375,508	189,620	–	(182,274)	(1,236,521)	4,146,333

	Opening carrying value	Additions	Transfer	Write off and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.28	–	–	–	(0.19)	1.10
Plant and machinery	1.62	0.00	–	(0.09)	(0.33)	1.20
Motor vehicles	0.08	–	–	(0.00)	(0.06)	0.02
Office furniture and computer equipment	0.28	0.12	0.26	(0.01)	(0.23)	0.42
Capital work in progress	0.28	–	(0.26)	(0.02)	–	–
	3.54	0.12	–	(0.12)	(0.81)	2.73

During the current period, assets with a carrying value of R 26,014 were written off from the fixed asset register.

The transfer from capital work-in-progress is for the Sap software license to computer equipment.

No items of property, plant and equipment were held under instalment sale agreements as at 31 March 2011.

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For the year ended 31 March 2011

No business economic changes have occurred during the current year to lead management to believe that the useful lives and residual values of the plant and equipment have changed.

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore
At 31 March 2010						
Buildings and leasehold improvements	2,851,041	(901,074)	1,949,967	1.76	(0.56)	1.20
Plant and machinery	5,212,699	(2,755,883)	2,456,816	3.21	(1.70)	1.51
Motor vehicles	386,270	(259,720)	126,550	0.24	(0.16)	0.08
Office furniture and computer equipment	1,534,514	(1,115,760)	418,754	0.95	(0.69)	0.26
Capital work in progress	423,421	–	423,421	0.26	–	0.26
	10,407,945	(5,032,437)	5,375,508	6.42	(3.11)	3.31

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR
Movement summary - 31 March 2010					
Buildings and leasehold improvements	2,031,034	196,015	–	(277,080)	1,949,969
Plant and machinery	1,903,850	112,207	0	(569,106)	2,456,815
Motor vehicles	236,743	5,999	0	(116,191)	126,551
Office furniture and computer equipment	644,030	176,177	(109,290)	(292,165)	418,752
Capital work in progress	330,197	397,406	(304,182)	–	423,421
	5,145,854	1,897,668	(413,472)	(1,254,542)	5,375,508

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.25	0.12	–	(0.17)	1.20
Plant and machinery	1.17	0.69	–	(0.35)	1.51
Motor vehicles	0.15	0.00	–	(0.07)	0.08
Office furniture and computer equipment	0.40	0.11	(0.07)	(0.18)	0.26
Capital work in progress	0.20	0.25	(0.19)	–	0.26
	3.17	1.17	(0.25)	(0.77)	3.31

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

During the current period, assets with a carrying value of R 109,290 were written off from the fixed asset register.

No items of property, plant and equipment were held under instalment sale agreements as at 31 March 2010.

3 INTANGIBLE ASSETS

	Opening carrying amount ZAR	Impairment ZAR	Additions during the year ZAR	Closing carrying value ZAR
Movement summary - 31 March 2011				
Brands	33,330,489	–	16,000,000	49,330,489
	33,330,489	–	16,000,000	49,330,489
Movement summary – 31 March 2010				
Brands	35,330,489	(2,000,000)	–	33,330,489
	35,330,489	(2,000,000)	–	33,330,489

INTANGIBLE ASSETS

	Opening carrying amount Rs. Crore	Impairment Rs. Crore	Additions during the year Rs. Crore	Closing carrying value Rs. Crore
Movement summary - 31 March 2011				
Brands	21.94	–	10.53	–
	21.94	–	10.53	–
Movement summary – 31 March 2010				
Brands	21.78	(1.23)	–	20.55
	21.78	(1.23)	–	20.55

The addition of brands during the year is related to the purchase of the Ingwe and Medi-pac brands.

The Company has classified its intangible assets as having indefinite useful lives. This conclusion is supported by the fact that the Company is expected to be able to use the brands for the foreseeable future and that the typical product life cycles for the brands, acquired against public information on estimates of useful lives, indicate that the intangible asset has an indefinite period of foreseeable usage.

This is further supported by the stability of the pharmaceutical and complimentary medicine industry and the strong demand in markets within which these products are marketed and sold.

Detailed impairment testing is performed for the indefinite-life intangible assets annually. The impairment review process is as follows:

Each period and whenever impairment indicators are present, management calculates the fair value of the asset and record an impairment loss for the excess of the carrying value over the fair value, if any.

The fair value is generally measured as the net present value of projected cash flows. In addition, a re-evaluation of the remaining useful life of the asset is performed to determine whether continuing to characterise the asset as having an indefinite life is, appropriate.

The recoverable amounts have been determined based on a value-in-use calculation. The calculation uses a free cash

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For the year ended 31 March 2011

flow model that discounts the free cash flow available from profit after tax generated by the intangible asset. If the resulting net present value exceeds the carrying value of the intangible asset, the intangible asset is not impaired. However, if the resulting net present value is less than the carrying value, impairment is provided for.

4 DEFERRED TAXATION

	2011	2010	2011	2010
	ZAR	ZAR	Rs. Crore	Rs. Crore
Opening balance	7,977,798	4,900,570	5.25	3.02
Charged to income statement - continuing operations	(285,017)	3,077,228	(0.19)	1.90
Closing balance	7,692,781	7,977,798	5.06	4.92
Comprising of the following:				
Property, plant and equipment	51,733	62,610	0.03	0.04
Operating leases	166,327	166,327	0.11	0.10
Employee benefit accruals	444,784	447,329	0.29	0.28
Provision for doubtful debts	258,773	134,277	0.17	0.08
Other provisions	1,843,439	1,649,399	1.21	1.02
Tax losses carried forward	4,927,725	5,517,856	3.24	3.40
Tax assets	7,692,781	7,977,798	5.05	4.92

Deferred tax assets are recognised as management believe that they will be recovered through use. The statutory tax rate of 28% was used to compute deferred taxation balances.

5 TRADE AND OTHER RECEIVABLES

	2011	2010	2011	2010
	ZAR	ZAR	Rs. Crore	Rs. Crore
Trade receivables	29,036,995	22,533,561	19.11	13.89
	(1,908,917)	(1,491,473)	(1.26)	(0.92)
	(4,501,022)	(4,445,759)	(2.96)	(2.74)
Other receivables	2,112,203	1,600,678	1.39	0.99
	24,739,259	18,197,007	16.28	11.22

The Fair values of trade and other receivables is not materially different to the carrying values presented.

6 INVENTORIES

	2011	2010	2011	2010
	ZAR	ZAR	Rs. Crore	Rs. Crore
Raw materials	10,614,091	6,697,519	6.99	4.13
Work in progress	431,138	618,151	0.28	0.38
Finished goods	8,186,241	5,552,253	5.39	3.42
	19,231,470	12,867,923	12.66	7.93
Provision for obsolescence	(1,127,892)	(592,887)	(0.74)	(0.37)
	18,103,578	12,275,036	11.92	7.56

The Company identifies specific items and product lines that are slow moving or that should be discontinued and provides 100% for those items.

Inventories with the value of NIL (2010: R7739725) were written down to net realisable value during the period under review

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. SHARE CAPITAL AND SHARE PREMIUM

	2011 ZAR	2010 ZAR	2011 Rs. Crore	2010 Rs. Crore
Share Capital				
Authorised:				
600 000 ordinary shares of 1 cent each/ Issued	6,000	6,000	–	–
Issued :				
500 000 ordinary shares of 1 cent each	5,000	5,000	–	–
Share premium				
Share premium	22,863,735	22,863,735	15.05	14.10

The unissued share capital is under the directors of the company until the next annual general meeting of the shareholders of the company.

8. TRADE AND OTHER PAYABLES

Trade payables	6,472,743	6,063,894	4.26	3.74
Other payables	20,288,899	11,645,570	13.35	7.18
	26,761,642	17,709,464	17.61	10.92

The fair value of trade and other payables is not materially different to the carrying values presented.

9. PROVISIONS

	Opening Balance ZAR	Movement ZAR	Closing Balance ZAR	Opening Balance Rs. Crore	Movement Rs. Crore	Closing Balance Rs. Crore
Provisions are made up as follows:						
Leave pay provision	455,538	127,869	583,407	0.30	0.08	0.38
Provision for Bonuses	1,142,067	(136,960)	1,005,107	0.75	(0.09)	0.66
	1,597,605	(9,091)	1,588,514	1.05	(0.01)	1.04

10 AMOUNTS DUE TO HOLDING COMPANY

Marico South Africa Consumer Care (Proprietary) Limited					
Non Current Portion	55,764,678	55,852,421	36.70	34.44	
Current Portion	20,355,507	–	13.40	–	

The loan is unsecured. The long term portion of the loan is repayable in four years and interest at the 6 month London Interbank Offered Rate (LIBOR), plus 7% and the interest is payable at each financial quarter. The short term portion of the loan is repayable within 12 months and bears a fixed rate of 10.5%.

11 (LOSS)/PROFIT BEFORE FINANCE COSTS AND TAXATION

Profit before finance costs and taxation is stated after taking the following into account:

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
Loss on disposal of property, plant & equipment	(113,740)	96,412	(0.07)	0.06
Auditor's remuneration				
- audit fees	512,164	458,962	0.34	0.28
Depreciation	1,236,521	1,254,542	0.81	0.77
Fixed assets written off	–	109,290	–	0.07
Impairment losses	–	2,773,972	–	1.71
- intangible assets (Note 3)	–	2,000,000	–	1.23
- inventory (Note 6)	–	773,972	–	0.48
Lease rentals	3,632,886	2,466,248	2.39	1.52
Staff costs (including director emoluments- refer note 17)	19,151,145	20,919,595	12.61	12.90
Number of employees	116	117	111	153

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

12 NET FINANCE COSTS

	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
Interest earned on bank account				
Interest Paid on shareholder loans - Marico South Africa consumer care pvt ltd.	(5,634,865)	(5,777,622)	(3.71)	(3.56)
Net finance cost	(5,477,463)	(5,531,857)	(3.61)	(3.41)

13 INCOME TAX EXPENSE

	ZAR	ZAR	Rs. Crore	Rs. Crore
Deferred tax - current year	434,749	1,918,129	0.29	1.18
Deferred tax – prior year under provision	(719,766)	1,159,099	(0.47)	0.71
	(285,017)	3,077,228	(0.18)	1.89
Reconciliation of tax rate	%	%		
Current period as a percentage of profit	(20.31)	44.22		
Adjusted for:				
- Permanent differences	(2.97)	0.44		
- Prior period adjustments	51.28	(16.66)		
Statutory tax rate	28.00	28.00		

No provision has been made for current taxation as the Company has an estimated taxation loss of R 17,599,915 (2010: R 19,706,631). The Company recognises deferred tax assets to the extent that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Refer to note 4 for further details.

14 FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist primarily of deposits with banks, trade accounts receivable and payable and the loan from the holding company. Financial instruments are carried at fair value or amounts that approximate fair value or amounts that approximate fair value.

	2011	2010	2011	2010
	ZAR	ZAR	Rs. Crore	Rs. Crore
Financial assets				
Loans and receivables	28,410,872	21,121,063	18.70	13.02
Trade and other receivables	24,739,259	18,197,007	16.28	11.22
Cash equivalents	3,671,613	2,924,056	2.42	1.80
Financial liabilities				
Financial liabilities measured at amortised cost	102,863,827	73,561,885	67.70	45.36
Interest bearing liabilities	76,102,185	55,852,421	50.09	34.44
Trade and other payables	26,761,642	17,709,464	17.61	10.92

In the normal course of operations, the Company is exposed to credit risk, interest rate risk, liquidity risk and foreign currency risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

Foreign currency risk management

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company i.e. South African Rand.

There are no foreign currency denominated monetary assets and liabilities at the reporting date.

Interest rate risk management

The Company's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

The Company adopts a policy of regularly reviewing interest rate exposure, and maintains floating rate borrowings.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the statement of financial position date and the stipulated change taking place at the beginning of the financial year and held constant in the case of variable rate borrowings. A 50 basis point increase or decrease has been used, as this represents management's assessment of the possible change in interest rates.

	2011 ZAR	2010 ZAR	2011 Rs. Crore	2010 Rs. Crore
This interest rates has been 50 basis points higher and all other variables are constant, the company profit before tax is decreased by effect on profit before tax	<u>338,750</u>	<u>264,642</u>	<u>0.22</u>	<u>0.17</u>

Credit risk management

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables comprise a wide customer base.

At period end there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, grossed up for any allowances for losses.

The Company grants credit of 30 days to its customers. The analysis of trade receivables which are past due at period end is as follows:

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
Past due by 30 days	9,020,640	6,239,484	5.94	3.85
Past due by 60 days	1,616,257	3,182,864	1.06	1.96
Past due by 90 days	2,669,695	2,191,479	1.76	1.35
	<u>13,306,592</u>	<u>11,613,827</u>	<u>8.76</u>	<u>7.16</u>

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash resources and ensuring the availability of funding through an adequate amount of credit facilities. The Company aims to maintain flexibility by monitoring cash flow forecast, good working capital management and ensuring adequate borrowing facilities are maintained.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

The following table details the Company's remaining contractual maturity of its non-derivative financial liabilities.

	Weighted Average Interest rate	Within 1 year	Greater than 1-2 years	2 years	(Rs. Crore)
					Total
2011					
Trade and other payables		26,761,642	–	–	26,761,642
Interest bearing shareholder loan	7.61%	–	20,355,507	55,746,678	76,102,185
		26,761,642	20,355,507	55,746,678	102,863,827
2010					
Trade and other payables		17,709,464	–	–	17,709,464
Interest bearing shareholder loan	8.19%	–	–	55,852,421	55,852,421
		17,709,464	–	55,852,421	73,561,885
	Weighted Average Interest rate	Within 1 year	Greater than 1-2 years	2 years	(Rs. Crore)
					Total
2011					
Trade and other payables		17.61	–	–	17.61
Interest bearing shareholder loan	7.61%	–	13.40	36.69	50.09
		17.61	13.40	36.69	67.70
2010					
Trade and other payables		10.92	–	–	10.92
Interest bearing shareholder loan	8.19%	–	–	34.44	34.44
		10.92	–	34.44	45.36

15 RELATED PARTIES

(a) Identification of related parties

At 31 March 2011, the holding company of Marico South Africa (Proprietary) Limited is Marico South Africa Consumer Care (Proprietary) Limited, a company incorporated in South Africa, which holds 100% of the company's issued share capital. The ultimate holding company of Marico South Africa (Proprietary) Limited is Marico Limited, a listed company incorporated in India.

For payments to directors refer to note 16.

Transactions with related parties are conducted on an arm's length basis and on the same payment terms as those transacted with third parties. None of the balances are secured.

The Company has a related party relationship with its holding company and subsidiary.

	2011 ZAR	2010 ZAR	2011 Rs. Crore	2010 Rs. Crore
(b) Transactions with related parties				
The following transactions were carried out by the company with related parties:				
a) Interest expense incurred				
Marico South Africa Consumer Care (Proprietary) Limited	5,634,865	5,777,622	3.71	3.56
b) Amounts due to related parties				
Amounts due to holding company Marico South Africa Consumer Care (Proprietary) Limited	(76,102,185)	(55,852,421)	(50.09)	(34.44)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

16 DIRECTORS EMOLUMENTS

All Company directors are also directors of the holding company.

Directors emoluments paid are Detailed below

	2011	2010	2011	2010
	ZAR	ZAR	Rs. Crore	Rs. Crore
Salary	3,275,169	3,784,557	2.16	2.33
other	1,755,616	1,354,275	1.16	0.84
	5,030,785	5,138,832	3.32	3.17

17 COMMITMENTS

	2011	2010	2011	2010
	ZAR	ZAR	Rs. Crore	Rs. Crore
Capital commitments				
- Plant and equipment	–	39,022	–	0.02
Operating lease commitments				
- Within 1 period	1,512,411	1,426,831	1	0.88
- Between 2 & 5 periods	7,013,330	6,616,349	4.62	4.08
- Over 5 periods	–	1,909,422	–	1.18
	8,525,741	9,952,602	5.62	6.14

The Company leases certain factory facilities under sub-operating leases. The leases run for a period of up to 10 years, with an option to renew the lease after that date.

In determining lease classification, the Company evaluated whether both land and buildings were clearly operating leases or finance leases. Firstly, land title does not pass and because rentals paid to the landlord for the buildings are increased to market-related rates at regular intervals, and because the Company does not participate in the residual value of the

CPF INTERNATIONAL (PTY) LIMITED

Board of Directors

John Richard Mason

Registered Office

1474 South Coast Road,
Mobeni 4052

Auditors

Deloitte & Touche

Legal Advisors

Deneys Reitz, Commercial attorneys

STATEMENT OF FINANCIAL POSITION**EQUITY AND LIABILITIES**

	2011	2010	2011	2010
	ZAR	ZAR	Rs.Crore	Rs.Crore
Equity				
Issued and fully paid: 100 Ordinary shares of R1 each	100.00	100.00	–	–
Accumulated loss	(100.00)	(100.00)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

The company was dormant for the year ended 31 March 2011 and 31 March 2010. As no transactions occurred a statement of comprehensive income, statement of cash flows or statement of changes in equity are not presented.

The financial statements are prepared in terms of International Financial Reporting Standards. The principal accounting policy of the company is to record equity at proceeds received, net of direct issue costs.

The authorised share capital of the company amounts to 1 000 ordinary shares of R1 par value.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors are required by the South African Companies Act to maintain adequate accounting records and to prepare annual financial statements that fairly present the state of affairs of the company. A directors report is not presented as the company is a wholly owned subsidiary of Marico South Africa (Proprietary) Limited. The financial statements are the responsibility of the directors and it is the responsibility of the independent auditors to report thereon. The annual financial statements were approved by the Board of Directors on 25 April 2011 and are signed on its behalf by:

JR Mason

Managing Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF CPF INTERNATIONAL (PROPRIETARY) LIMITED

Report on the Financial Statements

We have audited the annual financial statements of CPF International (Proprietary) Limited, which comprise, the statement of financial position as at 31 March 2011 and other explanatory notes as set out on page 1.

Directors' Responsibility for the Financial Statements

The Company's director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2011 in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Registered Auditor

Per Mthokozisi Luthuli

Partner

April 25, 2011

MARICO MALAYSIA SDN. BHD.

Board of Directors

Chin Chee Kee, JP

Poh Shioh Mei

Harshraj Charandas Mariwala

Vijay Subramaniam

Registered Office

Marico Malaysia Sdn. Bhd.,
Ground Floor, Lot 7, Block F,
Saguking Commercial Building,
Jalan Patau - 87000
Labuan F.T. Malaysia

Auditors

Sundar & Associates

Bankers

HSBC Bank

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements for the financial period from the date of incorporation 4 December 2009 to 31 March 2011.

Principal activities

The Company was incorporated on 4 December 2009 and commenced operations on 1 January 2010. The Company is principally engaged as distributor of perfumery, cosmetics, toiletries and related beauty products

Financial results

	RM	Rs.Crore
Loss after taxation	1,981,384	2.92

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial period.

Issue of shares and debentures

During the period, the following shares were issued:

Class	Number of shares	Terms of issue	Purpose of issue
Ordinary shares of RM 1/ - each	2	Cash	Subscribers' shares
Ordinary shares of RM 1/ - each	17,660,238	Cash	Working capital

The Company has not issued any debentures during the financial period.

Directorate

The directors in office since the date of incorporation are:-

CHIN CHEE KEE, JP	(1 st Director)
HARSHRAJ CHARANDAS MARIWALA	(1 st Director)
POH SHIOW MEI (F)	(1 st Director)
VIJAY SUBRAMANIAM	(1 st Director)

Particulars of interest in shares of the Company by the directors who held office at the end of the financial period are as follows:

	Ordinary shares of RM 1/- each			
	On incorporation	Bought	Sold	As at 31-03-2011
Company	-	-	-	-
CHIN CHEE KEE, JP	-	-	-	-
HARSHRAJ CHARANDAS MARIWALA	-	-	-	-
POH SHIOW MEI (F)	-	-	-	-
VIJAY SUBRAMANIAN	-	-	-	-
	Ordinary shares of INR 1/- each			
	As at 1-4-2010	Bought	Sold	As at 31-03-2011
HARSHRAJ CHARANDAS MARIWALA	23,254,600	-	-	23,254,600

DIRECTORS' REPORT (contd.)

Directors' benefits

Neither at the end of the financial period, nor at any time during the period, did there subsist any arrangement to which the Company or any of its related corporations was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the date of incorporation, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statement) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

Other statutory information

- (a) Before the income statement and balance sheet were made out, the directors took reasonable steps :-
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or to make any provisions for doubtful debts in respect of the financial statements of the Company; and
 - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading, or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial period which secures the liabilities of any other person.
 - (ii) any contingent liability of the Company which has arisen since the end of the financial period.
- (d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (f) In the opinion of the directors,
- (i) the results of the Company's operations during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature;
 - (ii) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the current financial period.

Ultimate holding company

The directors regard Marico Limited, a company incorporated in India, as the ultimate holding company of the Company.

Auditors

Messrs. Sundar & Associates have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance
with a resolution of the Directors dated 15 April 2011

CHIN CHEE KEE, JP
Director
Federal Territory of Labuan

POH SHIOW MEI(F)
Director

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Chin Chee Kee, JP and Poh Shioh Mei (F), being the directors of **MARICO MALAYSIA SDN BHD.**, do hereby state that, in the opinion of the directors, the accompanying balance sheet and statements of income, cash flows and changes in equity are drawn up in accordance with MASB approved accounting standards for private entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and of the results and the cash flows of the Company for the period then ended.

CHIN CHEE KEE, JP

Director

Federal Territory of Labuan

POH SHIOH MEI (F)

Director

STATUTORY DECLARATION

I, **Poh Shioh Mei (F)**, being the director primarily responsible for the accounting records and financial management of **MARICO MALAYSIA SDN BHD.**, do solemnly and sincerely declare that the accompanying balance sheet and statements of income, cash flows and changes in equity are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed at Federal Territory of Labuan
this day of 15 APR 2011

POH SHIOH MEI (F)

Director

INDEPENDENT AUDITORS' REPORT

To the Members of

MARICO MALAYSIA SDN. BHD. (881499-V)

Report on the financial statements

We have audited the financial statements of **MARICO MALAYSIA SDN. BHD.** which comprise the balance sheet as at 31 March 2011, and the income statement, statements of changes in equity and cash flow statements for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 21.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity- Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entities Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 March 2011 and of its financial performance and cash flows for the period then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SUNDAR & ASSOCIATES AFNo: 1127

Chartered Accountants (M)

SUNDARASAN AIL ARUMUGAM 1876/12/J/PH

Chartered Accountant (M)

Petaling Jaya

Date: 15 APR 2011

BALANCE SHEET

As at 31 March 2011

	Notes	RM	Rs. Crore
Non-current assets			
Plant and equipment	7	124,027	0.18
Intangible asset	8	16,235,500	23.94
		<u>16,359,527</u>	<u>24.13</u>
Current assets			
Inventories	3 (iv)/9	113,282	0.17
Trade receivables		2,340,620	3.45
Other receivables and deposits	10	482,730	0.71
Cash and bank balances		695,582	1.03
		<u>3,632,214</u>	<u>5.36</u>
Current liabilities			
Trade payables		1,050,800	1.55
Other payables and accrued liabilities	11	1,271,449	1.88
Amount due to holding company	12	302,569	0.45
Amount due to related company	12	175,218	0.26
Short-term borrowings	13	1,512,849	2.23
		<u>4,312,885</u>	<u>6.36</u>
Net current liabilities		<u>(680,671)</u>	<u>(1.00)</u>
		<u>15,678,856</u>	<u>23.12</u>
Financed by :			
Share capital	14	17,660,240	26.04
Accumulated loss		(1,981,384)	(2.92)
		<u>15,678,856</u>	<u>23.12</u>

The annexed notes form an integral part of these financial statements.

INCOME STATEMENT

For the period from the date of incorporation to 4 December 2009 to 31 March 2011

	Notes	RM	Rs. Crore
Revenue	3(ii)	11,325,319	16.70
Cost of sales		<u>(6,520,039)</u>	<u>(9.62)</u>
Gross profit		4,805,280	7.09
Other income		130,955	0.19
Staff costs		(468,350)	(0.69)
Depreciation		(17,983)	(0.03)
Other operating expenses		<u>(6,407,549)</u>	<u>(9.45)</u>
Operating loss		(1,957,647)	(2.89)
Finance cost		<u>(23,737)</u>	<u>(0.04)</u>
Loss before taxation	5	<u>(1,981,384)</u>	<u>(2.92)</u>
Taxation	6	-	-
Loss after taxation		<u><u>(1,981,384)</u></u>	<u><u>(2.92)</u></u>

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period from the date of incorporation to 4 December 2009 to 31 March 2011

	Share Capital	Accumulated Loss	Total
	RM	RM	RM
On incorporation - subscribers' shares	2	-	2
Issue of shares	17,660,238		17,660,238
Loss after taxation	-	(1,981,384)	(1,981,384)
Balance as at 31 March 2011	<u>17,660,240</u>	<u>(1,981,384)</u>	<u>15,678,856</u>

	Share Capital	Accumulated Loss	Total
	Rs. Crore	Rs. Crore	Rs. Crore
On incorporation - subscribers' shares	0.01	-	0.01
Issue of shares	26.04		26.04
Loss after taxation	-	(2.92)	-2.92
Balance as at 31 March 2011	<u>26.05</u>	<u>(2.92)</u>	<u>23.13</u>

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENT

For the period from the date of incorporation to 4 December 2009 to 31 March 2011

	RM	Rs. Crore
Cash flows from operating activities		
Loss before taxation	(1,981,384)	(2.92)
Adjustments for:		
Gain on foreign exchange - unrealised	41,516	0.06
Depreciation on plant and equipment	17,983	0.03
Loan interest	23,737	0.04
Operating loss before working capital changes	<u>(1,898,148)</u>	<u>(2.80)</u>
Working capital:		
Inventories	(113,282)	(0.17)
Trade receivables	(2,340,620)	(3.45)
Other receivables and deposits	(482,730)	(0.71)
Trade payables	1,045,363	1.54
Other payables and accrued liabilities	1,271,449	1.88
Amount due to related company	139,139	0.21
Amount due to holding company	302,569	0.45
Cash absorbed by operations	<u>(2,076,260)</u>	<u>(3.06)</u>
Loan interest	(23,737)	(0.04)
Net cash flows from operating activities	<u>(2,099,997)</u>	<u>(3.10)</u>
Cash flow from investing activity		
Purchase of plant and equipment	(16,377,510)	(24.15)
Net cash flow from investing activity	<u>(16,377,510)</u>	<u>(24.15)</u>
Cash flows from financing activity		
Issue of shares during the period	17,660,240	26.04
Short-term borrowings	1,512,849	2.23
Net cash flow from financing activity	<u>19,173,089</u>	<u>28.27</u>
Net increase in cash and cash equivalents	695,582	1.03
Cash and cash equivalents brought forward	—	—
Cash and cash equivalents carried forward	<u>695,582</u>	<u>1.03</u>
Breakdown of cash and cash equivalents carried forward		
Cash and bank balances	<u>695,582</u>	<u>1.03</u>

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

1 Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Ground Floor, Lot 7, Block F, Saguking Commercial Building, Jalan Patau-Patau, 87000 Labuan Ft and the principal place of business is located at 806 Block A ,Phileo Damansara 1, No 9, Jalan 16/11, Jalan Damansara,46350 Petaling Jaya ,Selangor.

2 Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 15 April 2011

3 Significant accounting policies**(i) Basis of preparation**

The financial statements comply with applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

The financial statements have been prepared under the historical cost convention.

(ii) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sale of goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(iii) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment loss.

Depreciation on plant and equipment is calculated on a straight -line method based on the estimated useful lives of the assets.

The principal annual rates of depreciation used are as follows:

Computer	33.33%
Furniture and fittings	33.33%
Office equipment	33.33%
Motor vehicles	27%

Plant and equipment is written down to recoverable amount if, the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

(iv) Inventories

Inventories comprises of trading merchandise which are valued at the lower of cost and net realisable value. Cost is determined on first- in, first - out method. Costs of trading merchandise comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity.

(vi) Provisions

Provisions are recognised when the Company has a present legal and constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

(vii) Cash and cash equivalents

Cash comprises of cash and bank balances. Cash equivalents comprises of investments maturing within three months from the date of acquisition and which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value.

(viii) Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on review of all outstanding amounts at the year end.

(ix) Payables

Payables are stated at cost which is the consideration to be paid in the future for products and services received.

(x) Intangible assets

Trademarks acquired are measured at cost less any accumulated impairment losses. Trademarks with indefinite useful lives are not amortised but is tested for impairment annually and whenever there is an indication that the asset may be impaired.

(xi) Impairment of assets

The carrying values of assets excluding inventories, deferred tax assets, assets arising from employee benefits and financial assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it not possible, for the cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(xii) Currency conversion

Transactions in foreign currencies are translated to Malaysian Ringgit at rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

The principal closing rates used in translation of foreign currency amount are as follows:

	RM
United States Dollar	3.025
Singapore Dollar	2.400

(xiii) Borrowings

Borrowings are reported at their face value.

All borrowing costs are charged to the income statement in the period in which they are incurred.

(xiv) Employment benefit

a. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

b. Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employee Provident Fund (EPF). Such contributions are recognised as an expense in the income statement as incurred

4 Principal activity

The Company is principally engaged as distributor of perfumery, cosmetics, toiletries and related beauty products.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

5 Loss before taxation

Loss before taxation is stated after charging:-

	RM	(Rs. Crore)
Rental of office	50,400	0.07
Loan interest	23,737	0.04
Loss on foreign exchange - realised	5,092	0.01
Auditors' remuneration	5,000	0.01
and crediting:-		
Gain on foreign exchange - realised	89,439	0.13
Gain on foreign exchange - unrealised	41,516	0.06

6 Taxation

Tax charge for the year is as follows:

Transferred to deferred taxation (note 14)

- Deferred tax liabilities	823,735	1.21
- Deferred tax assets	(823,735)	(1.21)
	-	-

A reconciliation & Income Tax Expense applicable to loss before taxation at the statutory Income Tax Rate to Income Tax Expense at the effective Income Tax Rate of the company is as follows:

Loss before taxation	(1,981,384)	(2.92)
Tax at Malaysian statutory tax rate of 25%	(495,346)	(0.73)
Expenses not deductible for tax purposes	8,721	0.01
Non taxable income	(10,379)	(0.02)
Deferred tax assets not recognised	399,585	0.59
Proportion of loss in respect of overlapping year	97,419	0.14
Tax expense for the period	-	-

Subject to agreement of the Inland Revenue Board, the Company has the following available for set-off against future taxable income.

	RM	(Rs. Crore)
Unutilised tax losses	1,580,356	2.33
Unutilised capital allowances	3,312,925	4.89
	<u>4,893,281</u>	<u>7.22</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

7 Plant and equipment

Cost	Furniture and fittings		Computer		Office equipments		Motor Vehicles		Total	
	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore
On incorporation	-	-	-	-	-	-	-	-	-	-
Addition	3,768	0.01	3,790	0.01	43,200	0.06	91,252	0.13	142,010	0.21
Disposal	-	-	-	-	-	-	-	-	-	-
Balance carried forward	3,768	0.01	3,790	0.01	43,200	0.06	91,252	0.13	142,010	0.21

Accumulated depreciation	Furniture and fittings		Computer		Office equipments		Motor Vehicles		Total	
	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore
On incorporation	-	-	-	-	-	-	-	-	-	-
Current charge	628	0.00	631	0.00	8,400	0.01	8,324	0.01	17,983	0.03
Depreciation on disposal	-	-	-	-	-	-	-	-	-	-
Balance carried forward	628	0.00	631	0.00	8,400	0.01	8,324	0.01	17,983	0.03

Net book value	Furniture and fittings		Computer		Office equipments		Motor Vehicles		Total	
	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore	RM	Rs. Crore
2011	3,140	0.00	3,159	0.00	34,800	0.05	82,928	0.12	124,027	0.18

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

8 Intangible assets

	Trademarks	
	RM	Rs. Crore
Cost		
On Incorporation	–	–
Addition	16,235,500	23.94
As 31 March	<u>16,235,500</u>	<u>23.94</u>

Trademarks related to the “Code 10” brand name were acquired by way of an assignment of full and absolute rights thereto from the registered proprietor. As those rights were assigned without a specified time frame and management believes that is no foreseeable limit to the period over which the brand is expected to generate cash inflows for the Company, the trademarks were assessed as having an indefinite useful life subject to use in good faith.

9 Inventories

	RM	Rs. Crore
At costs:		
Consumables	15,457	0.02
Trading merchandise	97,825	0.14
	<u>113,282</u>	<u>0.17</u>

10 Other receivable and deposits

	RM	Rs. Crore
Other receivables	289,660	0.43
Deposits	193,070	0.28
	<u>482,730</u>	<u>0.71</u>

11 Other payables and accrued liabilities

Other payables	53,916	0.08
Accrued expenses	1,217,533	1.80
	<u>1,271,449</u>	<u>1.88</u>

12 Holding company

The Company’s immediate holding company is Marico Middle East FZE, a company incorporated in Dubai, United Arab Emirates which holds 100 % interest in the shares of the Company.

The ultimate holding company is Marico Limited a company incorporated in India.

The amount due to the above mentioned companies are unsecured; interest free and no terms of repayment have been arranged.

13 Short term borrowings

The above borrowings are unsecured and interest is charged at 1.001410 % per annum. The loan is repayable on 365th day from the drawdown date.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

14 Share capital

	RM	Rs. Crore
Authorised :		
24,000,000 Ordinary shares of RM 1/- each	24,000,000	35.39
1,000,000 Redeemable Preference shares of RM 1/- each	1,000,000	1.47
	<u>25,000,000</u>	<u>36.87</u>
Issued and fully paid:		
Ordinary shares of RM1/- each		
Subscriber's shares	2	0.01
Issue of shares	17,660,238	26.04
At period end	<u>17,660,240</u>	<u>26.05</u>

During the period under review, the Company:

- (i) issued 2 subscribers shares of RM1/- each at an issue price of RM 1/- each.
- (ii) increased its paid up capital from RM 2 to RM 17,660,240 by an allotment of 17,660,238 ordinary shares of RM 1/- each at an issue price of RM 1/each per share for working capital purposes.

15 Deferred tax assets**Plant and equipment**

	RM	Rs. Crore
On incorporation	-	-
Recognised in income statement		
- Deferred tax liabilities	823,735	1.21
- Deferred tax assets	(823,735)	(1.21)
At 31 March	<u>-</u>	<u>-</u>
No deferred tax asset is recognised for the following items:		
Unabsorbed tax capital allowances	17,984	0.03
Unutilised tax losses	1,580,356	2.33
	<u>1,598,340</u>	<u>2.36</u>

16 Employees

Number of employees at the end of the financial period 2

17 Incorporation and operation

The Company was incorporated on 4 December 2009 and commenced operations on 1 January 2010.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

18 Comparative figures

There are no comparative figures as the financial statement is in respect of the first financial period.

19 Capital commitments

	RM	Rs. Crore
Approved and contracted for	91,079	0.13

INCOME STATEMENT

For the period from the date of incorporation to 4 December 2009 to 31 March 2011

	RM	Rs. Crore
Revenue	11,325,319	16.70
Less: Cost of sales		
Purchases	6,533,771	9.64
Freight charges	65,638	0.10
Warehouse charges	18,455	0.03
Inventories - at end of period	(97,825)	(0.14)
	<u>6,520,039</u>	<u>9.62</u>
Gross profit	4,805,280	7.09
Other income:		
Gain on foreign exchange - realised	89,439	0.13
Gain on foreign exchange - unrealised	41,516	0.06
	<u>130,955</u>	<u>0.19</u>
Staff costs	Appendix I (468,350)	(0.69)
Depreciation	Appendix I (17,983)	(0.03)
Other operating expenses	Appendix I (6,407,549)	(9.45)
Operating loss	<u>(1,957,647)</u>	<u>(2.89)</u>
Finance cost	(23,737)	(0.04)
Loss for the period	<u>(1,981,384)</u>	<u>(2.92)</u>

This management income statement is prepared from information furnished by the management of Marico Malaysia Sdn. Bhd. and does not form part of the audited financial statements of the Company.

SCHEDULE OF EXPENSES

For the period from the date of incorporation to 4 December 2009 to 31 March 2011

	RM	Rs. Crore
Staff costs		
Salary and wages	409,996	0.60
Bonus	58,354	0.09
	<u>468,350</u>	<u>0.69</u>
Depreciation		
Office equipment	8,400	0.01
Motor vehicles	8,324	0.01
Computer	631	0.00
Furniture and fittings	628	0.00
	<u>17,983</u>	<u>0.03</u>
Other operating expenses		
Advertisement	5,018,124	7.40
Visibility windows display	657,172	0.97
Travelling expenses	262,617	0.39
Freight charges	226,682	0.33
Professional charges	77,777	0.11
Rental of office	50,400	0.07
Miscellaneous expenses	22,554	0.03
Repair and maintenance	19,545	0.03
Sampling expense	18,426	0.03
Postage and courier	16,003	0.02
Telephone, fax and interne	13,996	0.02
Loss on foreign exchange - realised	5,092	0.01
Auditors' remuneration	5,000	0.01
Tax fee	3,500	0.01
Road tax and insurance	2,645	0.00
Book and periodical	2,379	0.00
Samples	1,816	0.00
Donation	1,308	0.00
Printing and stationery	986	0.00
Bank charges	822	0.00
Upkeep of office	709	0.00
	<u>6,407,549</u>	<u>9.45</u>
Finance cost		
Loan interest	23,737	0.04
	<u>23,737</u>	<u>0.04</u>

This management schedule of expenses is prepared from information furnished by the management of Marico Malaysia Sdn. Bhd. and does not form part of the audited financial statements of the Company.

Board of Directors

Loke Poh Keun

Naveen Duggal

Registered Office

213 Henderson Road,
01-08 Henderson Industrial Park,
Singapore - 159553

Auditors

Lo Hock Ling & Co.

Bankers

Citi Bank
UOB Bank

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the company for the period from 22 April 2010 to 31 March 2011.

The Company was incorporated in Singapore on 22 April 2010 and commenced business on the same date.

The Company changed its name and is known by its new name with effect from 20 December 2010.

(1) Directors

The directors of the company in office at the date of this report are:

Loke Poh Keun

Naveen Duggal

(2) Arrangements to enable directors to acquire shares or debentures.

Neither during nor at the end of the financial period was the company a party to any arrangement, the object of which was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

(3) Directors' interests in shares or debentures.

The company is a wholly-owned subsidiary of Kaya Limited, a company incorporated in India.

The directors holding office at the end of the financial period and their interests in the share capital of the Company and related company as recorded in the register of directors' shareholdings were as follows:

Name of directors	Number of shares held in name of director	
	Date of Appointment	As at 31-03-2011
Loke Poh Keun	As at 22-04-2010 Nil	Nil
Naveen Duggal (Appointed on 07-05-2010)	Nil	Nil

(4) Directors' contractual benefits.

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

(5) Share options.

There were no share options granted during the financial period to subscribe for unissued shares of the company.

(6) Share options exercised.

During the financial period, there were no shares issued by virtue of the exercise of options to take up unissued shares.

(7) Share options outstanding.

There were no unissued shares under option at the end of the financial period.

(8) Auditors.

The Auditors, Messrs Lo Hock Ling & Co., have expressed their willingness to accept re-appointment.

The board of directors:

Loke Poh Keun

Director

Naveen Duggal

Director

Singapore,

DIRECTORS' RESPONSIBILITY STATEMENT

We, the undermentioned directors, state that, in the opinion of the directors, the financial statements are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 March 2011 and the results, changes in equity and cash flows of the company for the period from 22 April 2010 to 31 March 2011 and there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

The board of directors:

Loke Poh Keun
Director

Naveen Duggal
Director

Singapore

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Company set out on pages 8 to 33, which comprise the balance sheet as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 22 April 2010 to 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and the results, changes in equity and cash flows of the Company for the period from 22 April 2010 to 31 March 2011.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Singapore, 2 May 2011

LO HOCK LING CO.
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS

STATEMENT OF COMPREHENSIVE INCOME

for the period from 22 April 2010 to 31 March 2011

	Notes	2011 \$	2011 (Rs. Crore)
Revenue	4	1,697,519	6.00
Other income	5	87,175	0.31
Changes in inventories		(63,419)	(0.22)
Purchases and direct costs		(129,018)	(0.46)
Employee benefits expense	6	(83,359)	(0.29)
Depreciation expense		(1,036)	0.00
Finance costs	7	(875,477)	(3.10)
Other expenses	8	(592,145)	(2.09)
Profit before tax		<u>40,240</u>	<u>0.14</u>
income tax	9	–	–
Profit for the period		<u>40,240</u>	<u>0.14</u>
Other comprehensive income, net of tax		–	–
Total comprehensive income for the period		<u><u>40,240</u></u>	<u><u>0.14</u></u>

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

BALANCE SHEET AS AT 31 MARCH 2011

	Notes	2011 \$	2011 (Rs. Crore)
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	8,161	0.03
Investments in subsidiaries	11	14,860,643	52.54
Intangible assets	12	14,930,000	52.79
Goodwill	13	10,066,515	35.59
Total Non-Current Assets		<u>39,865,319</u>	<u>140.95</u>
Current Assets			
Inventories	14	457,089	1.62
Trade receivables	15	33,449	0.12
Other receivables	16	219,218	0.78
Amount owing by immediate holding company	17	159,060	0.56
Amounts owing by subsidiaries	18	29,337	0.10
Amount owing by a related party	19	5,868	0.02
Cash and cash equivalents	20	1,419,942	5.02
Total Current Assets		<u>2,323,963</u>	<u>8.22</u>
Total Assets		<u>42,189,282</u>	<u>149.17</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	21	7,000,000	24.75
Retained earnings		40,240	0.14
Total Equity		<u>7,040,240</u>	<u>24.89</u>
Non-Current Liabilities			
Other payables	22	10,500,000	37.12
Bank borrowings	23	21,000,000	74.25
Deferred tax liabilities	24	1,489	0.01
Total Non-Current Liabilities		<u>31,501,489</u>	<u>111.38</u>
Current Liabilities			
Trade payables	25	114,747	0.41
Other payables	22	2,637,480	9.33
Amount owing to ultimate holding company	26	64,175	0.23
Amounts owing to subsidiaries	27	651,958	2.31
Amount owing to a related party	28	1,381	0.00
Current tax liabilities		177,812	0.63
Total Current Liabilities		<u>3,647,553</u>	<u>12.90</u>
Total Liabilities		<u>35,149,042</u>	<u>124.28</u>
Total Equity and Liabilities		<u>42,189,282</u>	<u>149.17</u>

The accompanying notes form an integral part of these financial statement.

STATEMENT OF CHANGES IN EQUITY

for the period from 22 April 2010 to 31 March 2011

	Share capital \$	Retained earnings \$	Total equity \$	Share capital Rs. Crore	Retained earnings Rs. Crore	Total equity Rs. Crore
Balance as at 22 April 2010 (date of incorporation)	1	-	1	0.00	-	0.00
Increase in share capital	6,999,999		6,999,999	24.75	-	24.75
Profit for the period, representing total comprehensive income for the period		40,240	40,240	-	0.14	0.14
Balance as at 31 March 2011	7,000,000	40,240	7,040,240	24.75	0.14	24.89

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

STATEMENT OF CASH FLOWS

for the period from 22 April 2010 to 31 March 2011

	Notes	2011 SGD	2011 Rs. Crore
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period		40,240	0.14
Adjustments for:			
Depreciation on property, plant and equipment	10	1,036	0.00
Interest expense	7	664,878	2.35
Preliminary expenses		5,338	0.02
Operating profit before working capital changes		711,492	2.52
Decrease in inventories		63,419	0.22
Increase in receivables		(98,059)	(0.35)
Increase in payables		2,227,645	7.88
Net cash from operating activities		2,904,497	10.27
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of subsidiaries		(14,414,497)	(50.97)
Preliminary expenses paid		(5,338)	(0.02)
Purchase of:			
- intangible assets	12	(14,930,000)	(52.79)
- property, plant and equipment	10	(437)	(0.00)
Net cash inflow arising from amalgamation	35	514,243	1.82
Net cash used in investing activities		(28,836,029)	(101.96)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Bank borrowings	23	21,000,000	74.25
Interest paid:			
- bank borrowings		(170,411)	(0.60)
- immediate holding company		(445,027)	(1.57)
- subsidiary		(33,088)	(0.12)
Issuance of share capital	21	7,000,000	24.75
Net cash from financing activities		27,351,474	96.71
Net increase in cash and cash equivalents		1,419,942	5.02
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period	20	1,419,942	5.02

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

1. CORPORATE INFORMATION

The company is a limited company domiciled and incorporated in the Republic of Singapore. Its registered office is located at 213 Henderson Road, #01-08 Henderson Industrial Park, Singapore 159553.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The company presents its financial statements in Singapore dollars, which is also its functional currency.

These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Singapore Financial Reporting Standards (FRS), including related Interpretations promulgated by the Accounting Standards Council, as required by the Companies Act.

During the financial period, the company adopted all the applicable new/revised FRSs which are effective on or before 22 April 2010.

The adoption of these new/revised FRSs did not have any material effect on the company's financial statements and did not result in substantial changes to the company's accounting policies.

(b) Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of trademarks and goodwill

The company determines whether trademarks and goodwill are impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which trademarks and goodwill are allocated. Estimating the value in use requires the company to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the company's trademarks and goodwill are disclosed in note 12 and 13 respectively.

(ii) Depreciation on Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(e). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the period are disclosed in note 10.

(iii) Income Taxes

Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the company's tax payables and deferred tax provision are disclosed in the balance sheet.

(B) Critical judgments made in applying accounting policies

In the process of applying the company's accounting policies, the management has made certain judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(i) Allowance for Bad and Doubtful Receivables

The impairment policy for bad and doubtful debts of the company is based on the evaluation of collectibility and ageing analysis of the accounts receivables and on management's judgment. At the balance sheet date, the trade receivables, net of allowance, are disclosed in the balance sheet. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowance will be required.

(ii) Net Realisable Value of Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date. The carrying amount of inventories is stated in note 14.

(iii) Impairment of investment in subsidiaries

The company follows the guidance of FRS 36 in determining whether its long term investment in subsidiary has been impaired. This determination requires significant judgment. The company evaluates, among other factors, whether the fair value of the investment is less than its cost, the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(iv) Impairment of non-financial assets

The carrying amounts of the company's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated based on the higher of the value in use and the asset's net selling price. Estimating the value in use requires the company to make an estimate of the expected future cash flows from the continuing use of the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) FRS and INT FRS not yet effective

The company has not applied any new FRS or INT FRS (Interpretations of Financial Reporting Standards) that has been issued as at the balance sheet date but is not yet effective. The directors do not anticipate the adoption of the new FRS and INT FRS in future financial periods to have any material impact on the company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

(d) Investments in Subsidiaries

The company treats as subsidiaries a company in which it holds more than half of the issued share capital, or where it controls the corporation of the board of directors as well as more than half the voting power.

Investments in subsidiaries are held on a long term basis and stated in the company's balance sheet at cost less impairment loss, if any. A list of the company's subsidiary companies is shown in note 11.

(e) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual value, of the assets over their estimated useful lives. The annual rates of depreciation are as follows:

Computers	33.33%
Furniture and fittings	33.33%
Office equipment	33.33%
Renovation	33.33%
Machinery	33.33%

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in profit or loss in the year the asset is derecognised.

(f) Intangible Assets

Intangible assets acquired separately are capitalised at cost. Intangible assets from a business acquisition are capitalised at fair value as at the date of acquisition. After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment loss.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortisation charged on finite intangible assets is taken to profit or loss as amortisation expense.

Intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value might be impaired. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(i) Trademarks

Trademarks, which have an indefinite useful life, are initially recognised at cost and are subsequently carried at cost less any impairment loss.

At each balance sheet date, the company assesses whether there is any indication of impairment. If any, such indication exists, the recoverable amount is estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

(ii) Goodwill

Goodwill on acquisition is identified as being the excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests in the acquiree, over the net fair value of the acquiree's identifiable assets and liabilities. In instances where the latter amount exceeds the former, the excess is recognised as a gain in profit or loss on the acquisition date.

Positive goodwill is carried at cost less any accumulated impairment loss. Goodwill is subjected to impairment test annually or more frequently if events or changes in circumstances indicate that the carrying value might be impaired. Impairment loss on goodwill is not reversed in a subsequent period.

For the purpose of impairment testing, positive goodwill on acquisition from the acquisition date is allocated to the cash-generating units ("CGU") expected to benefit from the acquisition synergies. An impairment loss is recognised in the profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rated on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in a subsequent period.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

- (i) Raw materials - purchase cost on weighted average cost formula.
- (ii) Finished goods - cost of direct materials and labour and a proportion of manufacturing overhead based on normal operating capacity.

For finished goods, net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. For raw materials, net realisable value is the current replacement cost.

An allowance is provided to reduce inventory to net realisable value due to obsolescence and possible losses based on specific identification method. When inventories are sold, the related allowance is reversed in the same period.

(h) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Receivables with a short duration are not discounted.

When there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables, an impairment loss is recognised. The amount of the impairment loss is measured as the difference between the carrying value of the receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in profit or loss.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and cash at bank which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

(j) Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables with a short duration are not discounted.

(k) Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss, in which case, it is recognised in other comprehensive income accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

(l) Foreign Currency Transactions and Translation

Foreign currency transactions are recorded, on initial recognition, in the functional currency (Singapore dollars) by applying to the foreign currency amounts the rates of exchange prevailing on the transaction dates. Recorded monetary items that are denominated in foreign currencies as at balance sheet date are translated at the rates ruling on that date. Gain or loss on foreign currency translation is included in profit or loss. Non-monetary assets and liabilities that are measured in historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(m) Revenue Recognition

(i) Sales of Goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with the delivery and acceptance of the goods sold.

(ii) Service Income

Service income is recognised when services are rendered and accepted by customers.

(iii) Royalty Income

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

(n) Employee Benefits

(i) Defined Contribution Plans

The company makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(ii) Short-term Compensated Absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

(o) Impairment of Non-Financial Assets

The carrying amounts of the company's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss on a non-revalued asset is recognised in profit or loss. An impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. An impairment loss (except for impairment loss on goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(p) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(q) Leases, Operating Leases

Leases whereby the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

When the company is the lessee, operating lease payments are recognised as an expense on a straight line basis over the lease term.

(r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, being assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. PRINCIPAL ACTIVITIES

The principal activities of the company are those of consultancy in skincare, trading in cosmetics and investment holding.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

4. REVENUE

Revenue comprises the following items:

	2011	2011
	\$	Rs. Crore
Royalty income from subsidiaries	1,402,462	4.96
Trading sales	295,057	1.94
	<u>1,697,519</u>	<u>6.00</u>

5. OTHER INCOME

Other income comprises the following items:

	2011	2011
	\$	Rs. Crore
Exchange gain	68,864	0.24
Management fees income from subsidiaries	8,000	0.03
Reversal of allowance for doubtful debts - subsidiaries	10,311	0.04
	<u>87,175</u>	<u>0.31</u>

6. EMPLOYEE BENEFITS EXPENSE

	2011	2011
	\$	Rs. Crore
Salaries and related costs	72,214	0.26
Employer's contribution to Central Provident Fund	5,085	0.02
Other benefits	6,060	0.02
Total employee benefits expense	<u>83,359</u>	<u>0.29</u>

Employee benefits expense includes key management personnel compensation as follows:

	2011	2011
	\$	Rs. Crore
Short-term employee benefits		
- Directors' remuneration	17,823	0.06
- Other key management personnel	24,045	0.09
	<u>41,868</u>	<u>0.15</u>

7. FINANCE COSTS

	2011	2011
	\$	Rs. Crore
Bank charges	210,599	0.74
Interest expense on:		
- bank loans	186,763	0.66
- loan from immediate holding company	445,027	1.57
- loan from subsidiary	33,088	0.12
	664,878	2.35
	<u>875,477</u>	<u>3.10</u>

8. OTHER EXPENSES

Included in other expenses is the following item:

	2011	2011
	\$	Rs. Crore
Operating lease expense	16,825	0.06
Preliminary expenses	5,338	0.02
	<u>22,163</u>	<u>0.08</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

9. INCOME TAX

	2011 \$	2011 Rs. Crore
Provision for current taxation		
Reconciliation of income tax:		
Profit before tax	42,520	0.15
Tax at statutory rate of 17%	7,228	0.03
Tax effects of:		
Non taxable income	(1,753)	(0.01)
Non-deductible expenses	52,084	0.18
Capital allowance for intellectual property rights	(57,559)	(0.22)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

10. PROPERTY, PLANT AND EQUIPMENT

	Computers \$	Furniture and fittings \$	Office equipment \$	Renovation \$	Machinery \$	Total \$
Cost						
At 22 April 2010	-	-	-	-	-	-
Transferred from subsidiary upon amalgamation (note 35)	87,510	10,777	1,409	2,580	4,673	106,949
Additions	-	-	437	-	-	437
At 31 March 2011	<u>87,510</u>	<u>10,777</u>	<u>1,846</u>	<u>2,580</u>	<u>4,673</u>	<u>107,386</u>
Accumulated depreciation						
At 22 April 2010	-	-	-	-	-	-
Transferred from subsidiary upon amalgamation (note 35)	78,983	10,774	1,311	2,579	4,542	98,189
Charge for the period	848	-	58	-	130	1,036
At 31 March 2011	<u>79,831</u>	<u>10,774</u>	<u>1,369</u>	<u>2,579</u>	<u>4,672</u>	<u>99,225</u>
Carrying amount						
At 31 March 2011	<u>7,679</u>	<u>3</u>	<u>477</u>	<u>1</u>	<u>1</u>	<u>8,161</u>

	Computers (Rs. Crore)	Furniture and fittings (Rs. Crore)	Office equipment (Rs. Crore)	Renovation (Rs. Crore)	Machinery (Rs. Crore)	Total (Rs. Crore)
Cost						
At 22 April 2010	-	-	-	-	-	-
Transferred from subsidiary upon amalgamation (note 35)	0.31	0.04	0.00	0.01	0.02	0.38
Additions	-	-	0.00	-	-	0.00
At 31 March 2011	<u>0.31</u>	<u>0.04</u>	<u>0.01</u>	<u>0.01</u>	<u>0.02</u>	<u>0.38</u>
Accumulated depreciation						
At 22 April 2010	-	-	-	-	-	-
Transferred from subsidiary upon amalgamation (note 35)	0.28	0.04	0.00	0.01	0.02	0.35
Charge for the period	0.00	-	0.00	-	0.00	0.00
At 31 March 2011	<u>0.28</u>	<u>0.04</u>	<u>0.00</u>	<u>0.01</u>	<u>0.02</u>	<u>0.35</u>
Carrying amount						
At 31 March 2011	<u>0.03</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.03</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

11. INVESTMENTS IN SUBSIDIARIES

					2011	
					\$	
Unquoted shares - at cost					14,860,643	
Name of subsidiaries	Principal activities	Place of incorporation and business	Percentage of shareholdings	Cost of investments	2011	2011
					%	\$
The DRx Medispa Pte. Ltd.	Distribution of health and supplement products, general trading and provision of beauty and spa services	Singapore	100	2,144,066		7.58
The DRx Clinic Pte. Ltd.	Clinical services and other general western medical services	Singapore	100	12,588,526		44.51
DRx Investments Pte. Ltd.	Investment holding	Singapore	100	128,051		0.45
				14,860,643		52.54

The subsidiary of DRx Investments Pte. Ltd. is as follows:

Name of subsidiary company	Principal activities	Place of incorporation and business	Percentage of shareholdings	2011
				%
DRx Aesthetics Sdn Bhd	Managing private medical practice and medical laboratory service and consultation	Malaysia	100	

These financial statements are separate financial statements under FRS 27 Consolidated and Separate Financial Statements. As provided under FRS 27, the company has elected not to prepare consolidated financial statements as it is itself a wholly-owned subsidiary of Kaya Limited. Kaya Limited is a wholly-owned subsidiary of Marico Limited.

The ultimate and immediate holding companies, which are incorporated in India, are Marico Limited and Kaya Limited respectively. Marico Limited, which is listed on the stock exchange of Mumbai, produces consolidated financial statements for public use. The registered office of Marico Limited is located at Rang Sharda, Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai 400050.

12. INTANGIBLE ASSETS

	2011	2011
	\$	Rs. Crore
Trademarks acquired during the period	14,930,000	52.79

13. GOODWILL

	2011	2011
	\$	Rs. Crore
Goodwill arising from amalgamation (note 36)	10,066,515	35.59

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

14. INVENTORIES

	2011	2011
	\$	Rs. Crore
Raw materials	59,628	0.21
Finished goods	397,461	1.41
	<u>457,089</u>	<u>1.62</u>

The costs of inventories recognised as an expense amounted to \$192,437.

The total carrying amount of inventories approximate their fair value less costs to sell.

15. TRADE RECEIVABLES

	2011	2011
	\$	Rs. Crore
Trade receivables	44,373	0.16
Less: Allowance for doubtful debts:		
- Transferred from subsidiary upon amalgamation	10,924	0.04
	<u>33,449</u>	<u>0.12</u>

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

16. OTHER RECEIVABLES

	2011	2011
	\$	Rs. Crore
Deposit	57,309	0.20
Prepayments	12,038	0.04
Advance payment to creditors	149,871	0.53
	<u>219,218</u>	<u>0.78</u>

Non-trade receivables are unsecured, interest-free and expected to be repayable on demand. Other receivables are denominated in the following currencies:

	2011	2011
	\$	Rs. Crore
Singapore dollars	84,327	0.30
United States dollars	72,103	0.25
Euro	62,788	0.22
	<u>219,218</u>	<u>0.78</u>

17. AMOUNT OWING BY IMMEDIATE HOLDING COMPANY

Kaya Limited, a company incorporated in India, is the immediate holding company.

	2011	2011
	\$	Rs. Crore
Amount owing by/(to) immediate holding company		
- trade	178,547	0.63
- non-trade	(19,487)	(0.07)
	<u>159,060</u>	<u>0.56</u>

The amount owing by immediate holding company is unsecured, interest-free and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

18. AMOUNTS OWING BY SUBSIDIARIES

	2011 \$	2011 Rs. Crore
Amounts owing by subsidiaries:		
- trade	168,973	0.60
- non-trade	42,632	0.15
	<u>211,605</u>	<u>0.75</u>
Less: Allowance for doubtful debts		
Transferred from subsidiary upon amalgamation	192,579	0.68
Allowance written back	(10,311)	(0.04)
Balance carried forward	<u>182,268</u>	<u>0.64</u>
	<u>29,337</u>	<u>0.10</u>

The amounts owing by subsidiaries are unsecured, interest-free and are repayable on demand,

19. AMOUNT OWING BY A RELATED PARTY

This amount, owing by a company in which the key management personnel has significant influence, is trade in nature, unsecured, interest-free and is repayable on demand.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances are denominated in the following currencies:

	2011 \$	2011 Rs. Crore
Singapore dollars	1,404,781	4.97
United States dollars	15,161	0.05
	<u>1,419,942</u>	<u>5.02</u>

21. SHARE CAPITAL

	2011 \$	2011 Rs. Crore
Issued and fully paid:		
7,000,000 ordinary shares	<u>7,000,000</u>	<u>24.75</u>

The issued and fully paid ordinary share, which has no par value, carry one vote per share and carry a right to dividends.

During the financial period, the issued share capital of the company was increased from \$1 to \$7,000,000 by an allotment of 6,999,999 ordinary shares for cash for the purpose of providing additional working capital.

22. OTHER PAYABLES

	2011 \$	2011 Rs. Crore
Non-trade payables	13,061,326	46.18
Accruals	76,154	0.27
	<u>13,137,480</u>	<u>46.45</u>
Represented by:		
- Non-current liabilities	10,500,000	37.12
- Current liabilities	2,637,480	9.33
	<u>13,137,480</u>	<u>46.45</u>

Included in non-trade payables is contingent consideration relating to the acquisition of subsidiaries for an amount of \$13 million to be payable over the next three years.

The other payables are unsecured, non-interest bearing and are normally repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

23. BANK BORROWINGS

	2011	2011
	\$	Rs. Crore
Term loan - secured	21,000,000	74.25

The term loan is secured by the following:

- (a) Fixed charge on all property and assets of the company, including all machinery and equipment; and
- (b) Fixed charge over all shares held by the company in its 3 subsidiaries, namely, The DRx Medispa Pte. Ltd., DRx Investments Pte. Ltd. and The DRx Clinic Pte. Ltd.

The term loan bears interest at 3% plus swap offer rate per annum and is repayable over 7 years by 20 equal quarterly instalments commencing on 31 March 2013.

24. DEFERRED TAX LIABILITIES

Deferred tax liabilities on excess of carrying amount over tax written down value of property, plant and equipment are as follows:

	2011	2011
	\$	Rs. Crore
Transferred from subsidiary upon amalgamation (note 36)	1,381	0.00

25. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 days' terms.

26. AMOUNT OWING TO ULTIMATE HOLDING COMPANY

Marico Limited, a company incorporated in India, is the ultimate holding company.

The trade balance owing to ultimate holding company is unsecured, interest-free and is repayable on demand.

27. AMOUNTS OWING TO SUBSIDIARIES

	2011	2011
	\$	Rs.
Crore Amounts owing to (by) subsidiaries:		
- trade	(197,532)	(0.70)
- non-trade	849,490	3.00
	651,958	2.31

The amounts owing to subsidiaries are unsecured, interest-free and are repayable on demand.

28. AMOUNT OWING TO A RELATED PARTY

This amount, owing by a company in which the key management personnel has significant influence, is non-trade in nature, unsecured, interest-free and is repayable on demand.

29. OPERATING LEASE COMMITMENTS

As at the balance sheet date, the company has the following commitments under non-cancellable operating leases where the company is the lessee:

	2011	2011
	\$	Rs. Crore
Payable within 1 year	208,168	0.74
Payable after 1 year but not later than 5 years	54,199	0.19
	262,367	0.93

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

30. RELATED PARTY DISCLOSURES

Significant transactions with related parties, not otherwise disclosed in the financial statements, are as follows:

	2011	2011
	\$	Rs. Crore
(a) <u>With ultimate holding company</u>	64,175	0.23
Commission		
(b) <u>With immediate holding company</u>	65,019	0.23
Sales		
(c) <u>With subsidiaries</u>	194,774	0.69
Sales		
(d) <u>With companies in which the key management personnel have substantial interests</u>		
Rental expense	13,432	0.05
Maintenance and service charge	522	0.00
(e) <u>With key management personnel</u>	914	0.00
Sales		

31. FINANCIAL RISK MANAGEMENT

The company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, liquidity risk, foreign exchange risk and interest rate risk. The management reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the company as and when they fall due.

The company's exposure to credit risk arises primarily from trade and other receivables (including amounts owing by related parties). For other financial assets (including cash and cash equivalents), the company minimises credit risk by dealing with high credit rating counterparties.

Management regularly monitors credit risk exposure to customers.

Credit evaluations are performed on all customers requiring credit over a certain amount.

During the financial period, the company derived approximately 88% of its revenue from its related parties.

Except for the above, management believes that concentration of credit risk is limited due to ongoing credit evaluations on all customers and, where necessary, maintaining an allowance for doubtful receivables which will adequately provide for potential credit risks.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the company. Cash and cash equivalents that are neither past due nor impaired are mainly deposits placed with reputable financial institutions with high credit-ratings.

There are no financial assets that are past due as at the balance sheet date.

Financial assets that are impaired.

The carrying amount of trade and other receivables individually determined to be impaired as at the balance sheet date is as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

	2011 \$	2011 Rs. Crore
Trade receivables - gross amount	178,355	0.63
Less: Allowance for impairment	(168,192)	(0.59)
	<u>10,163</u>	<u>0.04</u>
Other receivables - gross amount	25,000	0.09
Less: Allowance for impairment	(25,000)	(0.09)
	<u>-</u>	<u>-</u>

The movement in allowance for impairment on trade and other receivables is disclosed in notes 15 and 18.

Trade and other receivables that were individually determined to be impaired at the balance sheet date related to debtors that were in significant financial difficulties and had defaulted on payments. These receivables were not secured by any collateral or credit enhancements.

- (ii) **Liquidity risk** is the risk that the company will encounter difficulty in meeting financial obligations due to shortage of funds.

The company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	Less than 1 year \$	2 to 5 years \$	More than 5 years \$	Total \$	Less than 1 year Rs. Crore	2 to 5 years Rs. Crore	More than 5 years Rs. Crore	Total Rs. Crore
31 March 2011								
Bank borrowings	-	8,400,000	12,600,000	21,000,000	-	29.70	44.55	74.25
Trade and other payables	3,469,741	10,500,000	-	13,969,741	12.27	37.12	-	49.39
	<u>3,469,741</u>	<u>18,900,000</u>	<u>12,600,000</u>	<u>34,969,741</u>	<u>12.27</u>	<u>66.82</u>	<u>44.55</u>	<u>123.64</u>

- (iii) **Foreign exchange risk**

The company is primarily exposed to fluctuations in United States dollars ("USD") and Euro ("EUR") exchange rates arising from cash flows from anticipated transactions. The company reviews periodically monetary assets and liabilities held in USD and EUR to ensure that net exposure is kept at an acceptable level.

The USD and EUR amounts held by the company are as follows:

	USD \$	EUR \$	Rs. Crore	Rs. Crore
2011.				
Other receivables	72,103	62,788	0.25	0.22
Cash and cash equivalents	15,161	-	0.05	-
	<u>87,264</u>	<u>62,788</u>	<u>0.31</u>	<u>0.22</u>

Sensitivity analysis

A 10% strengthening of the Singapore dollars against the following currencies at the reporting date would increase/ (decrease) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

	Equity \$	Profit \$	Equity Rs. Crore	Profit Rs. Crore
United States dollars	-	(8,726)	-	(0)
Euro	-	(6,279)	-	(0)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

A 10% weakening of the Singapore dollars against the above currencies would have had the equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the company's financial instruments will fluctuate because of changes in market interest rates.

The company's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. Interest rate risk is managed by the company on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Information relating to the company's interest rate exposure is also disclosed in note 23.

Sensitivity analysis

For the variable rate financial liabilities, a change of 100 basis points (bp) in interest rate at the reporting date would increase/ (decrease) profit by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

	100 bp increase	100 bp decrease	Profit 100 bp increase	100 bp decrease
Financial period ended:				
31 March 2011	(210,000)	210,000	(0.74)	0.74

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of cash and cash equivalents, receivables, payables and short term loans approximate their fair values due to their short term nature.

The carrying amount of term loan are reasonable approximation of their fair values as they bear interest at rates approximating market rates as at the balance sheet date.

33. CAPITAL MANAGEMENT

The company's capital management objective is to safeguard the company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the company may issue new shares, obtain new borrowings or sell assets to reduce debt.

The company monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables and bank borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2011 \$	2011 Rs. Crore
Bank borrowings	21,000,000	74.25
Trade payables	114,747	0.41
Other payables	13,854,994	48.99
	<u>34,969,741</u>	<u>123.64</u>
Less: Cash and cash equivalents	(1,419,942)	(5.02)
Net debt	33,549,799	118.62
Share capital	7,000,000	24.75
Retained earnings	40,240	0.14
Total equity	<u>7,040,240</u>	<u>24.89</u>
Total capital	<u>40,590,039</u>	<u>143.51</u>
	<u>0.83</u>	
Gearing ratio		

The company is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

34. COMPARATIVE FIGURES

No comparative figures are shown in these financial statements as this is the first set of financial statements prepared by the company since its incorporation on 22 April 2010.

35. INCORPORATION AND COMMENCEMENT OF BUSINESS

The company was incorporated in the Republic. of Singapore on 22 April 2010 and commenced business on the same date.

36. AMALGAMATION

On 24 May 2010, the shareholders of Derma-Rx (Asia Pacific) Pte Ltd had disposed of its entire interests in DRx Meditech Pte. Ltd., The DRx Medispa Pte. Ltd., The DRx Clinic Pte. Ltd., DRx Investments Pte. Ltd. and DRx Aesthetics Sdn Bhd to the company.

On 1 March 2011 ("effective date"), a restructuring exercise was undertaken by the company to streamline its corporate structure and operations by amalgamating the business of DRx Meditech Pte. Ltd. into that of the company with a view to minimise the number of operating entities. As a result, DRx Meditech Pte. Ltd.'s business operations, assets and liabilities had been transferred to the company from the effective date.

Assets and liabilities, as well as business operations transferred from subsidiary, DRx Meditech Pte. Ltd. were as follows:

	2011 \$	2011 Rs. Crore
Assets		
Property, plant and equipment	8,760	0.03
Inventories	520,508	1.84
Trade receivables	31,989	0.11
Other receivables	149,582	0.53
Amount owing by ultimate holding company	38	0.00
Amount owing by intermediate holding company	114,903	0.41
Amount owing by immediate holding company	259,513	0.92
Amounts owing by subsidiaries	46,531	0.16
Amount owing by a related party	5,868	0.02
Cash and cash equivalents	514,243	1.82
	1,651,935	5.84
Less: Liabilities		
Trade payables	32,006	0.11
Other payables	83,181	0.29
Amount owing to a subsidiary	369,108	1.31
Current tax liabilities	177,812	0.63
Deferred tax liabilities	1,489	0.01
	663,596	2.35
Net assets transferred	988,339	3.49
Cost of investment in DRx Meditech Pte. Ltd.	(11,054,854)	(39.09)
Goodwill arising from transfer of business operations (note 13)	(10,066,515)	(35.59)
Net cash inflow arising from amalgamation	514,243	(71.18)

37. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the company for the period from 22 April 2010 to 31 March 2011 were authorised for issue in accordance with a directors' resolution dated 2 May 2011.

THE FOLLOWING STATEMENTS DO NOT FORM PART OF THE AUDITED STATUTORY FINANCIAL STATEMENTS OF THE COMPANY

Trading and Profit & Loss Account for the period from 22 April 2010 to 31 March 2011

	2011	2011
	\$	Rs. Crore
REVENUE		
Royalty income from subsidiaries	1,402,462	4.96
Sales	295,057	1.04
	<u>1,697,519</u>	<u>6.00</u>
LESS COST OF SALES		
Opening inventories	-	-
Inventories transferred from Meditech upon amalgamation	520,508	1.84
Purchases	60,340	0.21
Freight and handling	6,976	0.02
Packaging expenses	61,702	0.22
	<u>649,526</u>	<u>2.30</u>
Less: Closing inventories	457,089	1.62
	<u>192,437</u>	<u>0.68</u>
Gross profit	1,505,082	5.32
Exchange gain	68,864	0.24
Management fees income from subsidiaries	8,000	0.03
Reversal of allowance for doubtful debts - trade	10,311	0.04
	<u>1,592,257</u>	<u>5.63</u>
LESS EXPENSES (as per schedule)	1,552,017	5.49
Profit for the period	<u>40,240</u>	<u>0.14</u>

EXPENSES FOR THE PERIOD FROM 22 APRIL 2010 TO 31 MARCH 2011

	2011	2011
	\$	Rs. Crore
Audit fees	47,566	0.17
Bank charges	210,599	0.74
Cleaning expenses	100	0.00
Commission	64,175	0.23
Central provident fund, foreign workers levy and skills development fund	5,612	0.02
Depreciation on property, plant and equipment	1,036	0.00
Directors' remuneration	12,157	0.04
Filing fees	100	0.00
General expenses	2,059	0.01
Hiring of office equipment	393	0.00
Insurance	2,618	0.01
Interest expense	664,878	2.35
Legal and professional fees	369,136	1.31
Licence fee	1,904	0.01
Marketing expenses	1,953	0.01
Medical fees	98	0.00
Membership fees	128	0.00
Newspapers and periodicals	427	0.00
Penalties	3,497	0.01
Postages and courier	140	0.00
Preliminary expenses	5,338	0.02
Printing and stationery	3,980	0.01
Rental	16,432	0.06
Repairs and maintenance	2,219	0.01
Secretarial fees	2,050	0.01
Software and computer expenses	775	0.00
Staff incentives and allowances	150	0.00
Staff recruitment cost	188	0.00
Staff relocation expenses	80	0.00
Staff salaries and bonuses	59,907	0.21
Staff welfare	25,945	0.09
Tax fees	1,554	0.01
Telecommunication charges	3,168	0.01
Transport expenses	2,900	0.01
Travelling expenses	31,024	0.11
Water and electricity	5,451	0.02
Withholding tax	2,280	0.01
	<u>1,552,017</u>	<u>5.49</u>

THE DRX CLINIC PTE. LTD.

Board of Directors

Ajay Kumar Pahwa

Naveen Duggal

Dr. Tan Siak Khim

Janifer Yeo - Tan

Registered Office

213 Henderson Road,
#01-08 Henderson Industrial Park
Singapore - 159553

Factory

302, Orchard Road
#16-01 Tong Building

Auditors

Lo Hock Ling & Co.

Bankers

UOB Bank

REPORT OF THE DIRECTORS'

The directors present their report together with the audited financial statements of the company for the period from 1 January 2010 to 31 March 2011.

The company changes its financial year end from 31 December to 31 March.

(1) Directors.

The directors of the company in office at the date of this report are:

Dr. Tan Siak Khim
 Janifer Yeo @ Yeo Cheng Hoon
 Naveen Duggal
 Ajay Kumar Pahwa

(2) Arrangements to enable directors to acquire shares or debentures.

Neither during nor at the end of the financial period was the company a party to any arrangement, the object of which was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the company or any other body corporate.

(3) Directors' interests in shares or debentures.

The company is a wholly owned subsidiary of Derma-Rx International Aesthetics Pte. Ltd., a company incorporated in the Republic of Singapore.

The directors holding office at the end of the financial period and their interests in the share capital of the company and related company as recorded in the register of directors' shareholdings were as follows:

<u>Name of directors</u>	Number of shares held in the name of director	
	<u>Date of appointment</u>	<u>As at 31/3/2011</u>
Dr. Tan Siak Khim	As at 1-1-2010 Nil	Nil
Janifer Yeo @ Yeo Cheng Hoon	Nil	Nil
Naveen Duggal (Appointed on 25-5-2010)	Nil	Nil
Ajay Kumar Pahwa (Appointed on 25-5-2010)	Nil	Nil

The directors' interests in the shares of the holding and related company are disclosed in the report of the directors of the holding company as permitted by Section 164(3) of the Companies Act, Cap. 50.

REPORT OF THE DIRECTORS' (contd.)

(4) Directors' contractual benefits.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

(5) Share options.

There were no share options granted during the financial period to subscribe for unissued shares of the company.

(6) Share options exercised.

During the financial period, there were no shares issued by virtue of the exercise of options to take up unissued shares.

(7) Share options outstanding.

There were no unissued shares under option at the end of the financial period.

(8) Auditors.

The Auditors, Messrs Lo Hock Ling & Co., have expressed their willingness to accept re-appointment.

On behalf of the board,

NAVEEN DUGGAL
Director

JANIFER YEO - TAN
Director

Singapore, 20 April 2011

STATEMENT BY DIRECTORS

We, the undermentioned directors, state that, in the opinion of the directors, the financial statements are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and the results, changes in equity and cash flows of the Company for the period from 1 January 2010 to 31 March 2011 and there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the board,

NAVEEN DUGGAL
Director

JANIFER YEO - TAN
Director

Singapore, 20 April 2011

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

Report on the Financial Statements

We have audited the accompanying financial statements of the Company set out on pages 8 to 28, which comprise the balance sheet as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 1 January 2010 to 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and the results, changes in equity and cash flows of the Company for the period from 1 January 2010 to 31 March 2011.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

LO HOCK LING Co.
PUBLIC ACCOUNT AND
CERTIFIED PUBLIC COUNTANTS

Singapore, 20 April 2011

STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January 2010 to 31 March 2011

	Notes	2011 \$	2011 (Rs. Crore)
Revenue	4	11,178,882	39.53
Other income	5	614,765	2.17
Changes in inventories		215,723	0.76
Purchases and direct costs		(4,513,098)	(15.96)
Employee benefits expense	6	(2,836,268)	(10.03)
Depreciation expense	9	(285,712)	(1.01)
Other expenses	7	(1,127,520)	(3.99)
Profit before tax		<u>3,246,772</u>	<u>11.48</u>
Income tax	8	(477,438)	(1.69)
Profit for the period		<u>2,769,334</u>	<u>9.79</u>
Other comprehensive income, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>2,769,334</u>	<u>9.79</u>

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

BALANCE SHEET

AS AT 31 MARCH 2011

	Notes	2011 \$	2011 Rs. Crore
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	379,188	1.34
Total Non-Current Assets		<u>379,188</u>	<u>1.34</u>
Current Assets			
Inventories	10	342,023	1.21
Trade receivables	11	62,302	0.22
Other receivables	12	181,720	0.64
Amount owing by immediate holding company	13	557,872	1.97
Amount owing by subsidiaries	14	108,337	0.38
Amount owing by a related party	15	–	–
Cash and cash equivalents	16	1,818,582	6.43
Total Current Assets		<u>3,070,836</u>	<u>10.86</u>
Total Assets		<u><u>3,450,024</u></u>	<u><u>12.20</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	100,000	0.35
Retained earnings		1,550,150	5.48
Total Equity		<u>1,650,150</u>	<u>5.83</u>
Non-Current Liabilities			
Deferred tax liabilities	19	44,162	0.16
Total Non-Current Liabilities		<u>44,162.00</u>	<u>0.16</u>
Current Liabilities			
Trade payables	20	82,305	0.29
Other payables	21	302,749	1.07
Amount owing to subsidiaries	22	0	0.00
Amount owing to a related party	23	479	0.00
Deferred revenue		617,571	2.18
Current tax liabilities		752,608	2.66
Total Current Liabilities		<u>1,755,712</u>	<u>6.21</u>
Total Liabilities		<u>1,799,874</u>	<u>6.36</u>
Total Equity and Liabilities		<u><u>3,450,024</u></u>	<u><u>12.20</u></u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

	Notes	Share Capital \$	Retained Earnings \$	Total Equity \$
Balance as at 31 December 2008		100,000.00	3,399,284.00	3,499,284.00
Profit for the year, representing total comprehensive income for the year		–	2,581,532.00	2,581,532.00
Dividends	24	–	(3,700,000.00)	(3,700,000.00)
Balance as at 31 December 2009		100,000.00	2,280,816.00	2,380,816.00
Profit for the period, representing total comprehensive income for the period			2,769,334.00	2,769,334.00
Dividends	24		(3,500,000.00)	(3,500,000.00)
Balance as at 31 March 2011		100,000.00	1,550,150.00	1,650,150.00

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

	Notes	Share Capital (Rs. Crore)	Retained Earnings (Rs. Crore)	Total Equity (Rs. Crore)
Balance as at 31 December 2008		0.35	12.02	12.37
Profit for the year, representing total comprehensive income for the year			9.13	9.13
Dividends	24		(13.08)	(13.08)
Balance as at 31 December 2009		0.35	8.06	8.42
Profit for the period, representing total comprehensive income for the period			9.79	9.79
Dividends	24		(12.37)	(12.37)
Balance as at 31 March 2011.		0.35	5.48	5.83

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

	Notes	2011 \$	2011 (Rs. Crore)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		3,246,772	11.48
Adjustments for:			
Depreciation on property, plant and equipment	9	285,712	1.01
Property, plant and equipment written off		1,445	0.01
Gain on disposal of property, plant and equipment		–	–
Interest income		(1,860)	(0.01)
Operating profit before working capital changes		3,532,069	12.49
(Increase)/decrease in inventories		(215,723)	(0.76)
Decrease/(increase) in receivables		808,819	2.86
Decrease in deferred revenue		(145,787)	(0.52)
(Decrease)/increase in payables		(67,292)	(0.24)
Cash generated from operations		3,912,086	13.83
Income taxes paid		(471,553)	(1.67)
Interest received		1,860	0.01
Net cash flows from operating activities		3,442,393	12.17
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		–	–
Purchase of property, plant and equipment	9	(245,682)	(0.87)
Net cash flows used in investing activities		(245,682)	(0.87)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	24	(3,500,000)	(12.37)
Net cash flows used in financing activities		(3,500,000)	(12.37)
Net decrease in cash and cash equivalents		(303,289)	(1.07)
Cash and cash equivalents at beginning of the Period		2,121,871	7.50
Cash and cash equivalents at end of the period	16	1,818,582	6.43

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

1. CORPORATE INFORMATION

The company is a limited company domiciled and incorporated in the Republic of Singapore. Its registered office is located at 213 Henderson Road, #01-08 Henderson Industrial Park, Singapore 159553.

The company's principal place of business is located at 302 Orchard Road #16-02, Tong Building, Singapore 238862.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The company presents its financial statements in Singapore dollars, which is also its functional currency.

These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Singapore Financial Reporting Standards (FRS), including related Interpretations promulgated by the Accounting Standards Council, as required by the Companies Act.

During the financial period, the company adopted all the applicable new/revised FRSs which are effective on or before 1 January 2010.

The adoption of these new/revised FRSs did not have any material effect on the company's financial statements and did not result in substantial changes to the company's accounting policies.

(b) Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation on Property, Plant and Equipment

The costs, less residual values, of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(d). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the period are disclosed in note 9.

(ii) income taxes

Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the company's tax payables and deferred tax provision are disclosed in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

(B) Critical judgments made in applying accounting policies

In the process of applying the company's accounting policies, the management has made certain judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(i) Allowance for Bad and Doubtful Receivables

The impairment policy for bad and doubtful debts of the company is based on the evaluation of collectibility and ageing analysis of the accounts receivables and on management's judgment. At the balance sheet date, the trade receivables, net of allowance, are disclosed in the balance sheet. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowance will be required.

(ii) Net Realisable Value of Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated direct costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date. The carrying amount of inventories is stated in note 10.

(c) FRS and INT FRS not yet effective

The company has not applied any new FRS or INT FRS (Interpretations of Financial Reporting Standards) that has been issued as at the balance sheet date but is not yet effective. The directors do not anticipate the adoption of the new FRS and INT FRS in future financial periods to have any material impact on the company's financial statements in the period of initial application.

(d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual value, of the assets over their estimated useful lives. The annual rates of depreciation are as follows:

Computers	33.33%
Furniture and fittings	33.33%
Office equipment	33.33%
Renovation	33.33%
Medical equipment	33.33%

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

(e) Inventories

Inventories comprises finished goods are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

An allowance is provided to reduce inventory to net realisable value due to obsolescence and possible losses based on specific identification method. When inventories are sold, the related allowance is reversed in the same period.

(f) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Receivables with a short duration are not discounted.

When there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables, an impairment loss is recognised. The amount of the impairment loss is measured as the difference between the carrying value of the receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in profit or loss.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

(h) Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables with a short duration are not discounted.

(i) Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss, in which case, it is recognised in other comprehensive income accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

Deferred tax is charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

(j) Foreign Currency Transactions and Translation

Foreign currency transactions are recorded, on initial recognition, in the functional currency (Singapore dollars) by applying to the foreign currency amounts the rates of exchange prevailing on the transaction dates. Recorded monetary items that are denominated in foreign currencies as at balance sheet date are translated at the rates ruling on that date. Gain or loss on foreign currency translation is included in profit or loss. Non-monetary assets and liabilities that are measured in historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(k) Revenue Recognition

(i) Sales of Goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with the delivery and acceptance of the goods sold.

(ii) Service Income

Service income is recognised when services are rendered and accepted by customers.

Collections from prepaid treatment and service packages are deferred and recognised as revenue as and when the services are provided to customers. Unused prepaid treatment and service packages are included in the balance as deferred revenue.

(ii) Rental Income

Rental income is recognised on a straight-line basis over the sublease term.

(iv) Interest Income

interest income is recognised on time-proportion basis, using the effective interest method, unless collectibility is in doubt.

(l) Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(m) Employee Benefits

(i) Defined Contribution Plans

The company makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(ii) Short-term Compensated Absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

(n) Impairment of Non-Financial Assets

The carrying amounts of the company's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss on a non-revalued asset is recognised in profit or loss. An impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(o) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(p) Leases Operating Leases

Leases whereby the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

When the company is the lessee, operating lease payments are recognised as an expense on a straight line basis over the lease term.

3. PRINCIPAL ACTIVITIES

The principal activities of the company are those of clinical services and other general western medical services.

4. REVENUE

	2011	2011
	\$	(Rs. Crore)
Rendering of services	4,033,341	14.26
Sales of products	7,145,541	25.26
	<u>11,178,882</u>	<u>39.53</u>

5. OTHER INCOME

Other income comprises the following items:

Consultation fees income	165,000	0.58
Exchange gain	2,854	0.01
Gain on disposal of property, plant and equipment	-	-
Interest income	1,860	0.01
Jobs credit	13,422	0.05
Miscellaneous income	24,454	0.09
Rental income	407,175	1.44
	<u>614,765</u>	<u>2.17</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

6. EMPLOYEE BENEFITS EXPENSE

	2011 \$	2011 (Rs. Crore)
Salaries and related costs	2,635,309	9.32
Employer's contribution to Central Provident Fund	172,887	0.61
Other benefits	28,072	0.10
Total employee benefits expense	<u>2,836,268</u>	<u>10.03</u>

Employee benefits expense includes key management personnel compensation as follows:

	2011 \$	2011 (Rs. Crore)
Short-term employee benefits		
- Directors' remuneration	702,788	2.48
- Other key management personnel	50,005	0.18
	<u>752,793</u>	<u>2.66</u>

7. OTHER EXPENSES

Included in other expenses are the following items:

Allowances for doubtful debts - Trade	5,596	0.02
Exchange loss	0	0.00
Management fees	0	0.00
Operating Lease expense	795,868	2.81
Property, plant and equipment written off	1,445	0.01

8. INCOME TAX

Reconciliation of Income Tax:

Profit before tax	3,246,772	11.48
Tax at statutory rate of 17%	551,951	1.95
Tax effects of:		
Non - Taxable income	(2,282)	(0.01)
Non - Deductible expenses	13,683	0.05
Expenses subject to double tax deduction	0	0.00
statutory stepped income exemption	(25,925)	(0.09)
Over - Provision	0	0.00
- prior years	(30,714)	(0.11)
- in current year	0	0.00
- of deferred tax in prior year	0	0.00
Reduction in tax rate	(77,871)	(0.28)
Utilisation of group losses	48,596	0.17
Deferred Tax liabilities previously not recognized		
	<u>477,438</u>	<u>410,449</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

9. PROPERTY, PLANT AND EQUIPMENT

	Computers \$	Furniture and fittings \$	Office equipment \$	Renovation \$	Medical equipment \$	Total \$
Cost						
At 1 January 2009	48,791	243,141	93,011	566,300	1,682,067	2,633,310
Additions	1,037	10,362	3,151	80,401	335,600	430,551
Disposal	(2,350)	(7,823)	(5,143)	-	(993,221)	(1,008,537)
At 31 December 2009 and 1 January 2010	47,478	245,680	91,019	646,701	1,024,446	2,055,324
Additions	999	3,360	1,518	62,680	177,125	245,682
Disposal	-	(2,500)	-	-	(368,917)	(371,417)
At 31 March 2011	<u>48,477</u>	<u>246,540</u>	<u>92,537</u>	<u>709,381</u>	<u>832,654</u>	<u>1,929,589</u>
Accumulated depreciation						
At 1 January 2009	33,870	241,078	86,643	563,101	1,358,775	2,283,467
Charge for the year	13,080	4,463	2,736	19,465	159,809	199,553
Disposal	(1,893)	(7,823)	(5,143)	-	(833,500)	(848,359)
At 31 December 2009 and 1 January 2010	45,057	237,718	84,236	582,566	685,084	1,634,661
Charge for the period	2,344	4,640	4,545	55,482	218,701	285,712
Disposal	-	(1,055)	-	-	(368,917)	(369,972)
At 31 March 2011	<u>47,401</u>	<u>241,303</u>	<u>88,781</u>	<u>638,048</u>	<u>534,868</u>	<u>1,550,401</u>
Carrying amount						
At 31 March 2011	1,076	5,237	3,756	71,333	297,786	379,188
At 31 December 2009	2,421	7,962	6,783	64,135	339,362	420,663

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

	Computers (Rs. Crore)	Furniture and fittings (Rs. Crore)	Office equipment (Rs. Crore)	Renovation (Rs. Crore)	Medical equipment (Rs. Crore)	Total (Rs. Crore)
Cost						
At 1 January 2009	49	0.86	0.33	2.00	5.95	9.31
Additions	0.00	0.04	0.01	0.28	1.19	1.52
Disposal	(0.01)	(0.03)	(0.02)	–	(3.51)	(3.57)
At 31 December 2009 and 1 January 2010	0.17	0.87	0.32	2.29	3.62	7.27
Additions	0.00	0.01	0.01	0.22	0.63	0.87
Disposal	–	(0.01)	–	–	(1.30)	(1.31)
At 31 March 2011	0.17	0.87	0.33	2.51	2.94	6.82
Accumulated depreciation	–	–	–	–	–	–
At 1 January 2009	0.12	0	0.31	1.99	4.80	8.07
Charge for the year	0.05	0.02	0.01	0.07	0.57	0.71
Disposal	(0.01)	(0.03)	(0.02)	–	(2.95)	(3.00)
At 31 December 2009 and 1 January 2010	0.16	0.84	0.30	2.06	2.42	5.78
Charge for the period	0.01	0.02	0.02	0.20	0.77	1.01
Disposal	–	(0.00)	–	–	(1.30)	(1.31)
At 31 March 2011	0.17	0.85	0.31	2.26	1.89	5.48
Carrying amount	–	–	–	–	–	–
At 31 March 2011	0.00	0.02	0.01	0.25	1.05	1.34
At 31 December 2009	0.01	0.03	0.02	0.23	1.20	1.49

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

10 INVENTORIES

	2011 \$	2011 (Rs. Crore)
Finished goods	342,023	1.21

The costs of inventories recognised as an expense amounted to \$ 2,985,102 (2009: \$2,015,461).

The total carrying amount of inventories approximate their fair value less costs to sell.

11 TRADE RECEIVABLES

	2011 \$	2011 (Rs. Crore)
Trade receivables	67,898	0.24
Less: Allowance for doubtful debts:		
- Allowance made	5,596	0.02
	<u>62,302</u>	<u>0.22</u>

Trade receivables are non-interest bearing and are generally on 30 days' (2009: 30 days') term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12 OTHER RECEIVABLES

	2011 \$	2011 (Rs. Crore)
Non-trade receivables	-	-
Refundable deposits	165,970	0.59
Prepayments	15,750	0.06
	<u>181,720</u>	<u>0.64</u>

Non-trade receivables are unsecured, interest-free and expected to be repayable on demand.

13 AMOUNT OWING BY IMMEDIATE HOLDING COMPANY

	2011 \$	2011 (Rs. Crore)
Amount owing by/(to) immediate holding company:		
- trade	(162,547)	(0.57)
- non-trade	720,419	2.55
	<u>557,872</u>	<u>1.97</u>

The trade balance owing to immediate holding company is non-interest bearing and is 30 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade balance owing by immediate holding company is unsecured, interest-free and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

14. AMOUNT OWING BY SUBSIDIARIES

	2011	2011
	\$	(Rs. Crore)
Amount owing by subsidiaries:		
- trade	62,579	0.22
- non-trade	45,758	0.16
	<u>108,337</u>	<u>0.38</u>

The trade balance owing by subsidiaries is non-interest bearing and is generally on 30 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade balance owing by subsidiaries is unsecured, interest-free and is repayable on demand.

15. AMOUNT OWING BY A RELATED PARTY

This amount, owing by a company in which the key management personnel has significant influence, is trade in nature, unsecured, interest-free and is repayable on demand.

16. CASH AND CASH EQUIVALENTS

	2011	2011
	\$	(Rs. Crore)
Cash in hand	23,749	0.08
Cash at bank	1,794,833	6.35
	<u>1,818,582</u>	<u>6.43</u>

17. HOLDING COMPANIES

On 24 May 2010, the corporate shareholder of the company, Derma-Rx (Asia Pacific) Pte Ltd, had disposed of its entire interest in the company to Derma-Rx International Aesthetics Pte. Ltd. ("DIAL"), a company incorporated in the Republic of Singapore, thereby resulting in DIAL being the immediate holding company as of that date.

The ultimate and intermediate holding companies, which are incorporated in India, are Marico Limited and Kaya Limited respectively.

18. SHARE CAPITAL

	2011	2011
	\$	(Rs. Crore)
Issued and fully paid:		
100,000 ordinary shares	100,000.00	0.35
	<u>100,000.00</u>	<u>0.35</u>

The issued and fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

19 DEFERRED TAX LIABILITIES

Deferred tax liabilities on excess of carrying amount over tax written down value of property, plant and equipment are as follows:

	2011 \$	2011 (Rs. Crore)
Balance brought forward	27,300	0.10
Current period provision	16,862	0.06
Balance carried forward	<u>44,162</u>	<u>0.16</u>

20 TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 days' (2009: 30 days') terms.

21 OTHER PAYABLES

	2011 \$	2011 (Rs. Crore)
Accruals	<u>302,749</u>	<u>1.07</u>

Accruals are unsecured, non-interest bearing and normally settled within 120 days or demand.

22 AMOUNT OWING TO SUBSIDIARIES

	2011 \$	2011 (Rs. Crore)
Amount owing to subsidiaries:		
– trade	–	–
– non-trade	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

The trade balance owing to subsidiaries is non-interest bearing and is generally on 30 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade balance owing to subsidiaries is unsecured, interest-free and is repayable on demand.

23 AMOUNT OWING TO A RELATED PARTY

This amount, owing to a company in which the key management personnel has significant influence, is non-trade in nature, unsecured, interest-free and is repayable on demand.

24 DIVIDENDS

During the financial period, the company declared and paid dividends on the ordinary shares of the company as follows:

	2011 \$	2011 \$
Interim tax exempt one-tier dividend at \$ 7(2009: \$17) per share	700,000	2.47
Interim tax exempt one-tier dividend at \$ 8 (2009: nil) per share	800,000	2.83
Final interim tax exempt one-tier dividend for 2009 at \$20 (2008: \$20) per share	2,000,000	7.07
	<u>3,500,000</u>	<u>12.37</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

25 OPERATING LEASE COMMITMENTS

As at the balance sheet date, the company has the following commitments under non- cancellable operating leases where the company is the lessee:

	2011 \$	2011 (Rs. Crore)
Payable within 1 year	418,320	1.48
Payable after 1 year but not later than 5 years	–	–
	<u>418,320</u>	<u>1.48</u>

As at the balance sheet date, the company has the following commitments under non- cancellable operating leases where the company is the lessor:

	2011 \$	2011 (Rs. Crore)
Receivable within 1 year	190,015	0.67
Receivable after 1 year but not later than 5 years	–	–
	<u>190,015</u>	<u>0.67</u>

26 RELATED PARTY DISCLOSURES

Significant transactions and balances with related parties, not otherwise disclosed in the financial statements, are as follows:

	2011 \$	2011 (Rs. Crore)
(i) With immediate holding companies		
Services rendered	–	–
Management fee expense	–	–
Purchase of goods	151,913	0.54
Royalty fees expense	1,099,015	3.89
(ii) With subsidiaries		
Sales	569,775	2.01
Services rendered	0	0.00
Rental income	407,175	1.44
Sale of property, plant and equipment	2,481,866	8.78
Purchase of goodsPurchase of property, plant and equipment	1,664	0.01
Rental expenses	10,960	0.04
Consultation income	165,000	0.58
Miscellaneous income	–	–
Other expenses	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

27. FINANCIAL RISK MANAGEMENT

The company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, foreign exchange risk, interest rate risk and liquidity risk. The management reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the company as and when they fall due.

The company's exposure to credit risk arises primarily from trade and other receivables (including amounts owing by related parties). For other financial assets (including cash and cash equivalents), the company minimises credit risk by dealing with high credit rating counterparties.

Management regularly monitors credit risk exposure to customers.

Credit evaluations are performed on all customers requiring credit over a certain amount.

Except for the above, management believes that concentration of credit risk is limited due to ongoing credit evaluations on all customers and, where necessary, maintaining an allowance for doubtful receivables which will adequately provide for potential credit risks.

Financial assets that are past due but not impaired

The company has trade receivables that are past due but not impaired. These trade receivables are unsecured and the analysis of their aging at balance sheet date is as follows:

	2011	2011
	\$	(Rs. Crore)
Trade receivables past due:		
1 to 30 days	-	-
31 to 60 days	-	-
more than 60 days	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Financial assets that are impaired

The carrying amount of trade and other receivables individually determined to be impaired as at the balance sheet date is as follows:

	2011	2011
	\$	(Rs. Crore)
Trade receivables - gross amount	67,898	0.24
Less: Allowance for impairment	(5,596)	(0.02)
	<u>62,302</u>	<u>0.22</u>

The movement in allowance for impairment on trade receivables is disclosed in note 11 to the financial statements.

Trade and other receivables that were individually determined to be impaired at the balance sheet date related to debtors that were in significant financial difficulties and had defaulted on payments. These receivables were not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

(ii) Foreign exchange risk

The company does not have significant foreign currency transactions, thus, the net exposure is not expected to be significant.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the company's financial instruments will fluctuate because of changes in market interest rates.

The company does not have any interest-bearing financial liabilities. Its only exposure to changes in interest rates relates to interest-earning bank deposits. The company monitors movements in interest rates to ensure deposits are placed with financial institutions offering optimal rates of return.

(iv) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting financial obligations due to shortage of funds.

28 CAPITAL MANAGEMENT

The company's capital management objective is to safeguard the company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the company may issue new shares, obtain new borrowings or sell assets to reduce debt.

The directors also monitor the return on capital and the amount of dividend payments to shareholders.

The company monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2011 \$	2011 (Rs. Crore)
Trade payables	82,305	0.29
Other payables	302,749	1.07
Amount owing to subsidiaries	–	
Amount owing to a related party	479	0.00
Deferred revenue	617,571	2.18
	1,003,104	3.55
Less. Cash and cash equivalents	(1,818,582)	(6.43)
Net debt	(815,478)	(2.88)
Share capital	100,000	0.35
Retained earnings	1,550,150	5.48
Total equity	1,650,550	5.84
Total capital	835,072	2.95
Gearing ratio	–	–

The company is not subject to externally imposed capital requirements.

There were no changes to the company's approach to capital management during the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2011

29 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of cash and cash equivalents, receivables and payables approximate their fair values due to their short term nature.

30 COMPARATIVE FIGURES

The comparative figures in the statement of comprehensive income, statement of changes in equity and statement of cash flows cover the period from 1 January 2009 to 31 December 2009.

The comparative figures in the balance sheet represent the balances as at 31 December 2009.

31 CHANGES OF FINANCIAL YEAR END

The financial year end of the company has been changed from 31 December to 31 March. The current financial period cover the period from 1 January 2010 to 31 March 2011.

32 FINANCIAL STATEMENTS 2009

The financial statements for the year ended 31 December 2009 were audited by another firm of auditors (other than Lo Hock Ling & Co.) whose report dated 15 April 2010 expressed an unqualified opinion on these statements.

33 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the company for the period from 1 January 2010 to 31 March 2011 were authorised for issue in accordance with a directors' resolution dated 20 April 2011.

TRADING AND PROFIT & LOSS ACCOUNT

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

	2011 \$	2011 (Rs. Crore)
Revenue	11,178,882	39.53
LESS COST OF SALES		
Opening inventories	126,300	0.45
Purchases	3,200,825	11.32
Packing costs	44,356	0.16
Laboratory charges	7,515	0.03
Upkeep of surgical and medical equipment	161,387	0.57
Royalty fees	1,099,015	3.89
	<hr/> 4,639,398	<hr/> 16.40
Less: Closing inventories	342,023	1.21
	<hr/> 4,297,375	<hr/> 15.19
Gross profit	6,881,507	24.33
Consultation fees income	165,000	0.58
Exchange gain	2,854	0.01
Gain on disposal of property, plant and equipment	-	-
Interest income	1,860	0.01
Jobs credit	13,422	0.05
Miscellaneous income	24,454	0.09
Rental income	407,175	1.44
	<hr/> 7,496,272	<hr/> 26.50
LESS EXPENSES		
(as per schedule)	4,249,500	15.02
Profit before tax	<hr/> 3,246,772 <hr/>	<hr/> 11.48 <hr/>

EXPENSES FOR THE PERIOD

FROM 1 JANUARY 2010 TO 31 MARCH 2011

	2011	2011
	\$	(Rs. Crore)
Advertising	5,217	0.02
Allowance for doubtful debts - trade	5,596	0.02
Audit fees:		
- current year	10,249	0.04
- prior years	-	-
Bank, credit card and NETS charges	159,270	0.56
Central provident fund, foreign workers levy and skills development fund	200,959	0.71
Computer expenses	129	0.00
Course and seminar fees	1,000	0.00
Depreciation on property, plant and equipment	285,712	1.01
Directors' remuneration	685,802	2.42
Donation	-	-
Entertainment and refreshment	1,694	0.01
Exchange loss	-	-
Fines and penalties	-	-
Freight and handling	3,778	0.01
General expenses	15,592	0.06
Hiring of office equipment	558	0.00
Insurance	6,172	0.02
Legal and professional fees	8,370	0.03
Licence fee	3,505	0.01
Management fees	-	-
Medical fees	2,178	0.01
Postages and courier	92	0.00
Printing and stationery	32,865	0.12
Property, plant and equipment written off	1,445	0.01
Rental	795,310	2.81
Repairs and maintenance	38,328	0.14
Secretarial fees	1,130	0.00
Staff incentive and allowances	51,226	0.18
Staff salaries and bonuses	1,885,119	6.67
Staff welfare	10,984	0.04
Subscription and membership fees	1,921	0.01
Telephone	4,250	0.02
Transport and travelling expenses	5,516	0.02
Water and electricity	25,533	0.09
	4,249,500	15.02

Board of Directors

Ajay Kumar Pahwa

Naveen Duggal

Dr. Tan Siak Khim

Janifer Yeo - Tan

Registered Office

213 Henderson Road,
01-08 Henderson Industrial Park,
Singapore - 159553

Factory

583, Orchard Road
11-01/04 The Forum

Auditors

Lo Hock Ling & Co.

Bankers

UOB Bank

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the period from 1 January 2010 to 31 March 2011.

The company changes its financial year end from 31 December to 31 March.

1 Directors.

The directors of the company in office at the date of this report are:

Dr. Tan Siak Khim

Janifer Yeo - Tan

Naveen Duggal

Ajay Kumar Pahwa

2 Arrangements to enable directors to acquire shares or debentures.

Neither during nor at the end of the financial period was the Company a party to any arrangement, the object of which was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

3 Directors' interests in shares or debentures.

Derma-Rx International Aesthetics Pte. Ltd., a Company incorporated in the Republic of Singapore, is the holding Company.

The directors holding office at the end of the financial period and their interests in the share capital of the Company and related Company as recorded in the register of directors' shareholdings were as follows: -

<u>Name of directors</u>	Number of shares held in the name of director	
	<u>Date of appointment</u>	<u>As at 31/3/2011</u>
Dr. Tan Siak Khim	As at 1-1-2010 Nil	Nil
Janifer Yeo - Tan	Nil	Nil
Naveen Duggal (Appointed on 25-05-2010)	Nil	Nil
Ajay Kumar Pahwa (Appointed on 25-05-2010)	Nil	Nil

The directors' interests in the shares of the holding and related Company are disclosed in the report of the directors of the holding company as permitted by Section 164(3) Companies Act, Cap. 50.

4 Directors' contractual benefits.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a Company in which he has a substantial financial interest.

5 Share options.

There were no share options granted during the financial period to subscribe for unissued shares of the company.

6 Share options exercised.

During the financial period, there were no shares issued by virtue of the exercise of options to take up unissued shares.

REPORT OF THE DIRECTORS (contd.)

7 Share options outstanding.

There were no unissued shares under option at the end of the financial period.

8 Auditors.

The Auditors, Messrs Lo Hock Ling & Co., have expressed their willingness to accept re-appointment.

On behalf of the board,

Naveen Duggal
Director

Janifer Yeo-Tan
Director

Singapore, 20 April 2011

STATEMENT BY DIRECTORS

We, the undermentioned directors, state that, in the opinion of the directors, the financial statements are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 March 2011 and the results, changes in equity and cash flows of the company for the period from 1 January 2010 to 31 March 2011 and with the continued financial support of the immediate holding company, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due,

The board of directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the board,

Naveen Duggal
Director

Singapore, 20 April 2011

Janifer Yeo-Tan
Director

Report on the Financial Statements

We have audited the accompanying financial statements of the Company set out on pages 8 to 27, which comprise the balance sheet as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 1 January 2010 to 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap.50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and the results, changes in equity and cash flows of the Company for the period from 1 January 2010 to 31 March 2011.

Emphasis of Matter

As at 31 March 2011, the Company's current liabilities exceeded its current assets by \$1,187,345 (Rs. 4.20 Crore) and its total liabilities exceeded its total assets by \$1,124,943 (Rs. 3.98 Crore) We draw attention to note 2(d) to the financial statement which explains that the Company is dependent on its immediate holding company for continued financial support to enable the Company to carry on its operations. These financial statements have been prepared on a going concern basis on the assumption that such financial support is forthcoming.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

LO HOCK LING & CO.

PUBLIC ACCOUNTANTS AND

CERTIFIED PUBLIC ACCOUNTANTS

Singapore, 20 April 2011

STATEMENT OF COMPREHENSIVE INCOME

For the for the period from 1 January 2010 to 31 March 2011

	Notes	2011 \$	2011 Rs. Crore
Revenue	4	6,763,853	23.91
Other income	5	78,494	0.28
Changes in inventories		(5,748)	(0.02)
Purchases and direct costs		(1,525,283)	(5.39)
Employee benefits expense	6	(2,153,525)	(7.62)
Depreciation expense	9	(491,953)	(1.74)
Other expenses	7	(1,517,049)	(5.36)
Profit before tax		1,148,789	4.06
Income tax	8	(195,633)	(0.69)
Profit for the period		953,156	3.37
Other comprehensive income, net of tax		-	-
Total comprehensive income for the period		953,156	3.37

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

BALANCE SHEET AS AT SHEET

AS AT 31 MARCH 2011

	Notes	2011 \$	2011 Rs. Crore
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	70,759	0.25
Total Non-Current Assets		<u>70,759</u>	<u>0.25</u>
Current Assets			
Inventories	10	23,606	0.08
Trade receivables	11	31,788	0.11
Other receivables	12	30,211	0.11
Amount owing by immediate holding company	13	94,085	0.33
Amount owing by a subsidiary	14	–	–
Fixed deposit with bank	15	50,690	0.18
Cash and cash equivalents	16	2,110,847	7.46
Total Current Assets		<u>2,341,227</u>	<u>8.28</u>
Total Assets		<u>2,411,986</u>	<u>8.53</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	100,000	0.35
Accumulated losses		(1,224,943)	(4.33)
Total Equity		<u>(1,124,943)</u>	<u>(3.98)</u>
Non-Current Liabilities			
Deferred tax liabilities	19	8,357	0.03
Total Non-Current Liabilities		<u>8,357</u>	<u>0.03</u>
Current Liabilities			
Trade payables	20	67,772	0.24
Other payables	21	260,443	0.92
Amount owing to immediate holding company	22	–	–
Amount owing to subsidiaries	23	104,665	0.37
Deferred revenue		2,908,423	10.28
Current tax liabilities		187,269	0.66
Total Current Liabilities		<u>3,528,572</u>	<u>12.48</u>
Total Liabilities		<u>3,536,929</u>	<u>12.51</u>
Total Equity and Liabilities		<u>2,411,986</u>	<u>8.53</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

	Note	Share capital \$	Accumulated losses \$	Total equity \$	Share capital Rs. Crore	Accumulated losses Rs. Crore	Total equity Rs. Crore
Balance as at 1 January 2010		100,000	(2,028,099)	(1,928,099)	0.35	(7.17)	(6.82)
Profit for the period, representing total comprehensive income for the period		–	953,156	953,156	–	3.37	3.37
Dividends	24	–	(150,000)	(150,000)	–	(0.53)	(0.53)
Balance as at 31 March 2011		100,000	(1,224,943)	(1,124,943)	0.35	(4.33)	(3.98)

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

CASH FLOW STATEMENT

For the period from 1 January 2010 to 31 March 2011

	Note	2011 \$	2011 Rs. Crore
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		1,148,789	4.06
Adjustments for:			
Depreciation on property, plant and equipment	9	491,953	1.74
Property, plant and equipment written-off		476	0.00
Gain on disposal of property, plant and equipment		(27,835)	(0.10)
Interest income		(277)	(0.00)
Operating profit before working capital changes		1,613,106	5.70
Decrease in inventories		5,748	0.02
Decrease/(increase) in receivables		396,914	1.40
Increase in deferred revenue		530,372	1.88
Decrease in payables		(493,664)	(1.75)
Cash generated from operations		2,052,476	7.26
Income taxes paid		(36,507)	(0.13)
Interest received		277	0.00
Net cash flows from operating activities		2,016,246	7.13
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		27,854	0.10
Purchase of property, plant and equipment	9	(58,704)	(0.21)
Net cash flows used in investing activities		(30,850)	(0.11)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in fixed deposit pledged as collateral		(277)	(0.00)
Dividends paid	24	(150,000)	(0.53)
Net cash flows used in financing activities		(150,277)	(0.53)
Net increase/(decrease) in cash and cash equivalents		1,835,119	6.49
Cash and cash equivalents at beginning of the period		275,728	0.97
Cash and cash equivalents at end of the period	16	2,110,847	7.46

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 Marc., 2011

1 CORPORATE INFORMATION

The company is a limited company domiciled and incorporated in the Republic of Singapore. Its registered office is located at 213 Henderson Road, #01-08 Henderson Industrial Park, Singapore 159553.

The company's principal places of business are located at:

- (i) 583 Orchard Road #11-01, Forum The Shopping Mall, Singapore 238884
- (ii) 302 Orchard Road #06-01, Tong Building, Singapore 238862

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The company presents its financial statements in Singapore dollars, which is also its functional currency.

These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Singapore Financial Reporting Standards (FRS) including related interpretations promulgated by the Accounting Standards Council, as required by the Companies Act.

During the financial period, the company adopted all the applicable new/revised FRSs which are effective on or before 1 January 2010.

The adoption of these new/revised FRSs did not have any material effect on the company's financial statements and did not result in substantial changes to the company's accounting policies.

(b) Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation on Property, Plant and Equipment

The costs, less residual values, of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(e). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the period are disclosed in note 9.

(ii) Income Taxes

Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the company's tax payables and deferred tax provision are disclosed in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

(B) Critical judgments made in applying accounting policies

In the process of applying the company's accounting policies, the management has made certain judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(i) Allowance for Bad and Doubtful Receivables

The impairment policy for bad and doubtful debts of the company is based on the evaluation of collectibility and ageing analysis of the accounts receivables and on management's judgment. At the balance sheet date, the trade receivables, net of allowance, are disclosed in the balance sheet. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowance will be required.

(ii) Net Realisable Value of Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated direct costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date. The carrying amount of inventories is stated in note 10.

(C) FRS and INT FRS not yet effective

The company has not applied any new FRS or INT FRS (Interpretations of Financial Reporting Standards) that has been issued as at the balance sheet date but is not yet effective. The directors do not anticipate the adoption of the new FRS and INT FRS in future financial periods to have any material impact on the company's financial statements in the period of initial application.

(d) Fundamental Accounting Concept

These financial statements have been prepared on a going concern basis notwithstanding the capital deficiency on the assumption that the immediate holding company will continue to provide adequate financial support to enable the company to carry on its operations.

(e) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual value, of the assets over their estimated useful lives. The annual rates of depreciation are as follows:

Computers	33.33%
Furniture and fittings	33.33%
Office equipment	33.33%
Renovation	33.33%
Medical Equipment	33.33%

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in profit or loss in the year the asset is derecognised.

(f) Inventories

Inventories comprises finished goods are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

An allowance is provided to reduce inventory to net realisable value due to obsolescence and possible losses based on specific identification method. When inventories are sold, the related allowance is reversed in the same period.

(g) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Receivables with a short duration are not discounted.

When there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables, an impairment loss is recognised. The amount of the impairment loss is measured as the difference between the carrying value of the receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in profit or loss.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

(i) Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables with a short duration are not discounted.

(j) Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss, in which case, it is recognised in other comprehensive income accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

(k) Foreign Currency Transactions and Translation

Foreign currency transactions are recorded, on initial recognition, in the functional currency (Singapore dollars) by applying to the foreign currency amounts the rates of exchange prevailing on the transaction dates. Recorded monetary items that are denominated in foreign currencies as at balance sheet date are translated at the rates ruling on that date. Gain or loss on foreign currency translation is included in profit or loss. Non-monetary assets and liabilities that are measured in historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(l) Revenue Recognition

(i) Sales of Goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with the delivery and acceptance of the goods sold.

(ii) Service Income

Service income is recognised when services are rendered and accepted by customers.

(iii) Rental Income

Rental income is recognised on a straight-line basis over the sub-lease term.

(iv) Interest Income

Interest income is recognised on time-proportion basis, using the effective interest method, unless collectibility is in doubt.

(m) Dividends on Ordinary

Shares Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(n) Employee Benefits

(i) Defined Contribution Plans

The company makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(ii) Short-term Compensated Absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

(o) Impairment of Non-Financial Assets

The carrying amounts of the company's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss on a non-revalued asset is recognised in profit or loss. An impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

(p) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(q) Leases

Operating Leases

Leases whereby the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

When the company is the lessee, operating lease payments are recognised as an expense on a straight line basis over the lease term.

3 PRINCIPAL ACTIVITIES

The principal activities of the company are those of distribution of health supplement products, general trading and provision of beauty and spa services.

4 REVENUE

	2011	2011
	\$ (Rs. Crore)	
Rendering of services	5,222,413	18.46
Sales of products	1,541,440	5.45
	<u>6,763,853</u>	<u>23.91</u>

5 OTHER INCOME

35.357

Other income comprises the following items:-

	2011	2011
	\$ (Rs. Crore)	
Gain on disposal of property, plant and equipment	27,835	0.10
Interest income	277	0.00
Jobs credit	11,121	0.04
Miscellaneous income	29,239	0.10
Rental income	10,960	0.04
	<u>79,432</u>	<u>0.28</u>

6 EMPLOYEE BENEFITS EXPENSE

	2011	2011
	\$ (Rs. Crore)	
Salaries and related costs	1,966,482	6.95
Employer's contribution to Central Provident Fund	134,922	0.48
Other benefits	53,059	0.19
Total employee benefits expense	<u>2,154,463</u>	<u>7.62</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

Employee benefits expense includes key management personnel compensation as follows:-

	2011	2011
	\$ (Rs. Crore)	
Short-term employee benefits		
- Directors' remuneration	45,052	0.16
- Other key management personnel	171,459	0.61
	<u>216,511</u>	<u>0.77</u>

7 OTHER EXPENSES

Included in other expenses are the following items:

	2011	2011
	\$ (Rs. Crore)	
Management fees from:		
- immediate holding company	43,097	0.15
- subsidiaries	76,903	0.27
Operating lease expense	1,073,703	3.80
Property, plant and equipment written off	476	0.00

8 INCOME TAX

	2011	2011
	\$ (Rs. Crore)	
Provision for current taxation	187,276	0.66
Provision for deferred taxation (note 19)	8,357	0.03
	<u>195,633</u>	<u>0.69</u>
Reconciliation of income tax:	-	-
Profit before tax	1,148,789	4.06
Tax at statutory rate of 17%	195,294	0.69
Tax effects of :	-	-
Non-taxable income	(1,891)	(0.01)
Non-deductible expenses	5,620	0.02
Statutory stepped income exemption	(25,925)	(0.09)
Utilisation of group losses	(23,339)	(0.08)
Realisation of deferred tax assets previously not recognised	-	-
Deferred tax liabilities previously not recognised	83,856	0.30
Over-provision in current year	(37,982)	(0.13)
	<u>195,633</u>	<u>0.69</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

9 PROPERTY, PLANT AND EQUIPMENT

	Computers	Furniture and fittings	Office equipment	Renovation	Medical equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
At 1 January 2010	22,193	87,353	91,876	745,275	979,500	1,926,197
Additions	-		720	30,450	27,534	58,704
Disposal	(2,900)	(31,934)	(12,226)	(477,088)	(81,507)	(605,655)
At 31 March 2011	19,293	55,419	80,370	298,637	925,527	1,379,246
Accumulated depreciation						
At 1 January 2010	18,978	78,691	80,700	578,843	664,482	1,421,694
Charge for the period	2,759	8,602	11,388	186,666	282,538	491,953
Disposal	(2,898)	(31,926)	(12,225)	(477,074)	(81,037)	(605,160)
At 31 March 2011	18,839	55,367	79,863	288,435	865,983	1,308,487
Carrying amount						
At 31 March 2011	454	52	507	10,202	59,544	70,759
At 1 January 2010	3,215	8,662	11,176	166,432	315,018	504,503

	Computers	Furniture and fittings	Office equipment	Renovation	Medical equipment	Total
	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
Cost						
At 1 January 2010	0.08	0.31	0.32	2.64	3.46	6.81
Additions	-	-	0.00	0.11	0.10	0.21
Disposal	(0.01)	(0.11)	(0.04)	(1.69)	(0.29)	(2.14)
At 31 March 2011	0.07	0.20	0.28	1.06	3.27	4.88
Accumulated depreciation						
At 1 January 2010	0.07	0.28	0.29	2.05	2.35	5.03
Charge for the period	0.01	0.03	0.04	0.66	1.00	1.74
Disposal	(0.01)	(0.11)	(0.04)	(1.69)	(0.29)	(2.14)
At 31 March 2011	0.07	0.20	0.28	1.02	3.06	4.63
Carrying amount						
At 31 March 2011	0.00	0.00	0.00	0.04	0.21	0.25
At 1 January 2010	0.01	0.03	0.04	0.59	1.11	1.78

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

10 INVENTORIES

	2011	2011
	\$	Rs. Crore
Finished goods	<u>23,606</u>	<u>0.08</u>

The costs of inventories recognised as an expense amounted to 1,100,487 (Rs. 3.89 Crores) (2009: \$965,686) (Rs. 3.42 Crore)

The total carrying amount of inventories approximate their fair value less costs to sell.

11 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 days' (2009: 30 days') term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12 OTHER RECEIVABLES

	2011	2011
	\$	(Rs. Crore)
Refundable deposits	23,783	0.08
Prepayments	6,428	0.02
	<u>30,211</u>	<u>0.11</u>

Non-trade receivables are unsecured, interest-free and expected to be repayable on demand.

13 AMOUNT OWING BY IMMEDIATE HOLDING COMPANY

	2011	2011
	\$	(Rs. Crore)
Amount owing by/(to) immediate holding company:		
– trade	(158,498)	(0.56)
– non-trade	252,583	0.89
	<u>94,085</u>	<u>0.33</u>

The trade balance owing to immediate holding company is non-interest bearing and is generally on 30 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade balance owing by immediate holding company is unsecured, interest-free and is repayable on demand.

14 AMOUNT OWING BY A SUBSIDIARY

The non-trade balance owing by a subsidiary is unsecured, interest-free and is repayable on demand.

15 FIXED DEPOSIT WITH BANK

The bank fixed deposit bears interest at 0.45% (2009: 0.55%) per annum and matures within 12 months (2009: 11 months) from the end of the financial period. The fixed deposit is pledged with bank as collateral for banking facilities.

16 CASH AND CASH EQUIVALENTS

	2011	2011
	\$	(Rs. Crore)
Cash in hand	3,049	0.01
Cash at bank	2,107,798	7.45
	<u>2,110,847</u>	<u>7.46</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

17 HOLDING COMPANIES

On 24 May 2010, the corporate shareholder of the company, Derma-Rx (Asia Pacific) Pte Ltd, had disposed of its entire interest in the company to Derma-Rx International Aesthetics Pte. Ltd. ("DIAL"), a company incorporated in the Republic of Singapore, thereby resulting in DIAL being the immediate holding company as of that date.

The ultimate and intermediate holding companies, which are incorporated in India, are Marico Limited and Kaya Limited respectively.

18 SHARE CAPITAL

	2011	2011
	\$ (Rs. Crore)	
Issued and fully paid:		
100,000 ordinary shares	<u>100,000</u>	<u>0.35</u>

The issued and fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

19 DEFERRED TAX LIABILITIES

Deferred tax liabilities on excess of carrying amount over tax written down value of property, plant and equipment are as follows:

	2011	2011
	\$ (Rs. Crore)	
Current period's provision	<u>8,357</u>	<u>0.03</u>

20 TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 days' (2009: 30 days') terms.

21 OTHER PAYABLES

	2011	2011
	\$ (Rs. Crore)	
Non-trade payables	254	0.00
Accruals	260,189	0.92
	<u>260,443</u>	<u>0.92</u>

Non-trade payables and accruals are unsecured, non-interest bearing and normally settled within 120 days or demand.

22 AMOUNT OWING TO IMMEDIATE HOLDING COMPANY

Derma-Rx (Asia Pacific) Pte Ltd, a company incorporated in the Republic of Singapore, was the immediate holding company.

The non-trade balance owing to immediate holding company was unsecured, interest-free and was repayable on demand.

23 AMOUNT OWING TO SUBSIDIARIES

	2011	2011
	\$ (Rs. Crore)	
Amount owing to subsidiaries:		
– trade	61,907	0.22
– non-trade	42,758	0.15
	<u>104,665</u>	<u>0.37</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

The trade balance owing to subsidiaries are non-interest bearing and is generally on 30 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade balance owing to subsidiaries are unsecured, interest-free and is repayable on demand.

24 DIVIDENDS

During the financial period, the company declared and paid dividends on the ordinary shares of the company as follows:

	2011	2011
	\$ (Rs. Crore)	
Interim tax exempt one-tier dividend at \$ 1.50 (2009: nil) per share	<u>150,000</u>	<u>0.53</u>

25 OPERATING LEASE COMMITMENTS

As at the balance sheet date, the company has the following commitments under non-cancellable operating leases where the company is the lessee:

	2011	2011
	\$ (Rs. Crore)	
Payable within 1 year	273,487	0.97
Payable after 1 year but not later than 5 years	–	–
	<u>273,487</u>	<u>0.97</u>

26 RELATED PARTY DISCLOSURES

Significant transactions and balances with related parties, not otherwise disclose in the financial statement, are as follows:

	2011	2011
	\$ (Rs. Crore)	
(i) With immediate holding companies		
Rental income	–	–
Management fees expense	43,097	0.15
Purchase of goods	32,697	0.12
Royalty fees expense	237,595	0.84
Purchase of property, plant and equipment	720	0.00
(ii) With subsidiaries		
Sales	913	0.00
Services rendered	–	–
Proceeds from disposal of property, plant and equipment	1,664	0.01
Rental income	10,959	0.04
Purchase of goods	1,066,192	3.77
Consultation fees expense	165,000	0.58
Management fees expense	76,903	0.27
Rental expense	407,175	1.44
Purchase of property, plant and equipment	<u>51,441</u>	<u>0.18</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2011

27 FINANCIAL RISK MANAGEMENT

The company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, foreign exchange risk, interest rate risk and liquidity risk. The management reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the company as and when they fall due.

The company's exposure to credit risk arises primarily from trade and other receivables (including amounts owing by related parties). For other financial assets (including cash and cash equivalents), the company minimises credit risk by dealing with high credit rating counterparties.

Management regularly monitors credit risk exposure to customers.

Credit evaluations are performed on all customers requiring credit over a certain amount.

Management believes that concentration of credit risk is limited due to ongoing credit evaluations on all customers and, where necessary, maintaining an allowance for doubtful receivables which will adequately provide for potential credit risks.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the company. Cash and cash equivalents that are neither past due nor impaired are mainly deposits placed with reputable financial institutions with high credit-ratings.

There are no financial assets that are past due nor impaired as at the balance sheet date.

(ii) Foreign exchange risk

The company does not have significant foreign currency transactions, thus, the net exposure is not expected to be significant.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the company's financial instruments will fluctuate because of changes in market interest rates.

The company does not have any interest-bearing financial liabilities. Its only exposure to changes in interest rates relates to interest-earning bank deposits. The company monitors movements in interest rates to ensure deposits are placed with financial institutions offering optimal rates of return.

(iv) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting financial obligations due to shortage of funds.

The company monitors its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the company's operations and to mitigate the effects of fluctuations in cash flows.

All financial liabilities of the company are repayable on demand or mature within one year.

28 CAPITAL MANAGEMENT

The company's capital management objective is to safeguard the company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the company may issue new shares, obtain new borrowings or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 Mar., 2011**

The directors also monitor the return on capital and the amount of dividend payments to shareholders.

The company monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2011	2011
	\$ (Rs. Crore)	
Trade payables	67,772	0.24
Other payables	365,108	1.29
Deferred revenue	2,908,423	10.28
	<u>3,341,303</u>	<u>11.81</u>
Less: Cash and cash equivalents	(2,110,847)	(7.46)
Fixed deposit	(50,690)	(0.18)
Net debt	1,179,766	4.17
Share capital	100,000	0.35
Accumulated losses	(1,224,943)	(4.33)
Total equity	(1,124,943)	(3.98)
Total capital	54,823	0.19
Gearing ratio	<u>2151.95%</u>	<u>-</u>

The company is not subject to externally imposed capital requirements.

There were no changes to the company's approach to capital management during the period.

29 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of cash and cash equivalents, receivables and payables approximate their fair values due to their short term nature.

30 COMPARATIVE FIGURES

The comparative figures in the statement of comprehensive income, statement of changes in equity and statement of cash flows cover the period from 1 January 2009 to 31 December 2009

The comparative figures in the balance sheet represent the balances as at 31 December 2009

31 CHANGES OF FINANCIAL YEAR END

The financial year end of the company has been changed from 31 December to 31 March. The current financial period cover the period from 1 January 2010 to 31 March 2011.

32 FINANCIAL STATEMENTS 2009

The financial statements for the year ended 31 December 2009 were audited by another firm of auditors (other than Lo Hock Ling & Co.) whose report dated 15 April 2010 expressed an unqualified opinion on these statements.

33 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the company for the period from 1 January 2010 to 31 March 2011 were authorised for issue in accordance with a directors' resolution dated 20th April 2011.

TRADING AND PROFIT & LOSS ACCOUNT

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

	2011	2011
	\$	(Rs. Crore)
Revenue	6,763,853	23.91
LESS COST OF SALES		
Opening inventories	29,354	0.10
Purchases	1,094,739	3.87
Consultation fees charges	165,000	0.58
Upkeep of surgical and medical equipment	27,267	0.10
Royalty fees	237,595	0.84
Other direct costs	682	0.00
	<u>1,554,637</u>	<u>5.50</u>
Less: Closing inventories	23,606	0.08
	<u>1,531,031</u>	<u>5.41</u>
Gross profit	5,232,822	18.50
Gain on disposal of property, plant and equipment	27,835	0.10
Interest income	277	0.00
Jobs credit	11,121	0.04
Miscellaneous income	29,239	0.10
Rental income	10,960	0.04
	<u>5,312,254</u>	<u>18.78</u>
LESS EXPENSES (as per schedule)	4,163,465	14.72
Profit before tax	<u>1,148,789</u>	<u>4.06</u>

TRADING AND PROFIT & LOSS ACCOUNT

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

	2011	2011
	\$ (Rs. Crore)	
Audit fees:		
- current year	10,000	0.04
- prior years	—	—
Bank, credit card and NETS charges	164,196	0.58
Central provident fund, foreign workers levy and skills development fund	169,217	0.60
Cleaning expenses	46,553	0.16
Course and seminar fees	632	0.00
Delivery charges	2,284	0.01
Depreciation on property, plant and equipment	491,953	1.74
Directors' remuneration	41,650	0.15
Fines and penalties	(200)	(0.00)
General expenses	290	0.00
Hiring of office equipment	2,515	0.01
Insurance	3,700	0.01
Legal and professional fees	235	0.00
Licence fee	3,530	0.01
Management fees	120,000	0.42
Marketing expenses	17,661	0.06
Medical fees	3,700	0.01
Membership fees	555	0.00
Newspapers and periodicals	60	0.00
Postages and courier	—	—
Printing and stationery	4,361	0.02
Property, plant and equipment written off	476	0.00
Recruitment	3,509	0.01
Rental	1,071,188	3.79
Repairs and maintenance	5,258	0.02
Secretarial fees	1,630	0.01
Software and computer expenses	5,454	0.02
Staff salaries and bonuses	1,924,832	6.81
Staff welfare	15,064	0.05
Tax fees	3,200	0.01
Telephone and web hosting expenses	13,917	0.05
Transport expenses	1,412	0.00
Upkeep of office equipment	710	0.00
Water and electricity	33,923	0.12
	4,163,465	14.72

DRX INVESTMENT PTE. LTD
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

Board of Directors

Ajay Kumar Pahwa

Naveen Duggal

Dr. Tan Siak Khim

Janifer Yeo - Tan

Registered Office

213 Henderson Road,
01-08 Henderson Industrial Park,
Singapore - 159553

Auditors

Lo Hock Ling & Co.

Bankers

UOB Bank

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the period from 1 January 2010 to 31 March 2011.

The company changes its financial year end from 31 December to 31 March.

1 Directors.

The directors of the company in office at the date of this report are:

Dr. Tan Siak Khim

Janifer Yeo @ Yeo Cheng Hoon

Naveen Duggal

Ajay Kumar Pahwa

2 Arrangements to enable directors to acquire shares or debentures.

Neither during nor at the end of the financial period was the company a party to any arrangement, the object of which was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the company or any other body corporate.

3 Directors' interests in shares or debentures.

The company is the holding company of DRx Aesthetics Sdn Bhd, a company incorporated in Malaysia whereas the company is a wholly owned subsidiary of Derma-Rx International Aesthetics Pte. Ltd., a company incorporated in the Republic of Singapore.

The directors holding office at the end of the financial period and their interests in the share capital of the company and related company as recorded in the register of directors' shareholdings were as follows:-

<u>Name of directors</u>	Number of shares held in the name of director	
	<u>Date of appointment</u>	<u>As at 31/3/2011</u>
Dr. Tan Siak Khim	As at 1-1-2010 Nil	Nil
Janifer Yeo @ Yeo Cheng Hoon	Nil	Nil
Naveen Duggal (Appointed on 25-5-2010)	Nil	Nil
Ajay Kumar Pahwa (Appointed on 25-5-2010)	Nil	Nil

The directors' interests in the shares of the holding and related company are disclosed in the report of the directors of the holding company as permitted by Section 164 (3) Companies Act, Cap. 50.

4 Directors' contractual benefits.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

5 Share options.

There were no share options granted during the financial period to subscribe for unissued shares of the company.

REPORT OF THE DIRECTORS (contd.)

6 Share options exercised.

During the financial period, there were no shares issued by virtue of the exercise of options to take up unissued shares.

7 Share options outstanding.

There were no unissued shares under option at the end of the financial period.

8 Auditors.

The Auditors, Messrs Lo Hock Ling & Co., have expressed their willingness to accept re-appointment.

On behalf of the board,

Naveen Duggal
Director

Singapore, 15th April 2011

Janifer Yeo-Tan
Director

STATEMENT BY DIRECTORS

We, the undermentioned directors, state that, in the opinion of the directors, the financial statements are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 March 2011 and the results, changes in equity and cash flows of the company for the period from 1 January 2010 to 31 March 2011 and there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the board,

Naveen Duggal

Director

Singapore, 15th April 2011

Janifer Yeo-Tan

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

Report on the Financial Statements

We have audited the accompanying financial statements of the Company set out on pages 8 to 19, which comprise the balance sheet as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 1 January 2010 to 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap.50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and the results, changes in equity and cash flows of the Company for the period from 1 January 2010 to 31 March 2011.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

LO HOCK LING & CO.

PUBLIC ACCOUNTANTS AND

CERTIFIED PUBLIC ACCOUNTANTS

Singapore, 15 April 2011

STATEMENT OF COMPREHENSIVE INCOME

For the for the period from 1 January 2010 to 31 March 2011

	Notes	2011 \$	2011 Rs. Crore
Other income	4	–	–
Expenses	5	<u>5,732</u>	<u>(0.02)</u>
Loss for the period		5,732	(0.02)
Other comprehensive income, net of tax		–	–
Total comprehensive income for the period		<u>5,732</u>	<u>(0.02)</u>

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

BALANCE SHEET AS AT SHEET

as at 31 March 2011

	Notes	2011 \$	2011 Rs. Crore
ASSETS			
Non-Current Asset			
Investment in subsidiary	7	—	—
Total Non-Current Asset		—	—
Current Assets			
Amount owing by subsidiary	8	—	—
Bank balance		10,315	0.04
Total Current Assets		10,315	0.04
Total Assets		<u>10,315</u>	<u>0.04</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	748,343	2.65
Accumulated losses		(744,078)	(2.63)
Total Equity		<u>4,265</u>	<u>0.02</u>
Current Liabilities			
Other payables	10	3,050	0.01
Amount owing to holding company .	11	—	—
Amount owing to fellow subsidiary ,	12	3,000	0.01
Total Current Liabilities		<u>6,050</u>	<u>0.02</u>
Total Liabilities		6,050	0.02
Total Equity and Liabilities		<u>10,315</u>	<u>0.04</u>

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

STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2010 to 31 March 2011

	Note	Share capital \$	Accumulated losses \$	Total equity \$	Share capital Rs. Crore	Accumulated losses Rs. Crore	Total equity Rs. Crore
Balance as at 1 January 2010		15,000	(738,346)	(723,346)	0.05	(2.61)	(2.56)
Increase in share capital	9	733,343	–	733,343	2.59	–	2.59
Loss for the period, representing total comprehensive income for the period		–	(5,732)	(5,732)	–	(0.02)	(0.02)
Balance as at 31 March 2011		748,343	(744,078)	4,265	3	(3)	0

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

CASH FLOW STATEMENT

For the period from 1 January 2010 to 31 March 2011

	Note	2011 \$	2011 Rs. Crore
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the period		(5,732)	(0.02)
Adjustment for:			
Gain on disposal of investment in subsidiary		—	—
Operating loss before working capital changes		<u>(5,732)</u>	<u>(0.02)</u>
(Decrease)/increase in payables		(729,143)	(2.58)
Net cash used in operating activities		<u>(734,875)</u>	<u>(2.60)</u>
CASH FLOWS FROM INVESTING ACTIVITY:			
Proceeds from disposal of investment in subsidiary		—	—
Net cash from investing activity		—	—
CASH FLOWS FROM FINANCING ACTIVITY:			
Capitalisation of loan from holding company		733,343	2.59
Net cash from financing activity		<u>733,343</u>	<u>2.59</u>
Net decrease in cash and cash equivalents		<u>(1,532)</u>	<u>0.01</u>
Cash and cash equivalents at beginning of the period		<u>11,847</u>	<u>0.04</u>
Cash and cash equivalents at end of the period		<u><u>10,315</u></u>	<u><u>0.04</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 March, 2011

1 CORPORATE INFORMATION

The company is a limited company domiciled and incorporated in the Republic of Singapore. Its registered office is located at 213 Henderson Road, #01–08 Henderson Industrial Park, Singapore 159553.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The company presents its financial statements in Singapore dollars, which is also its functional currency.

These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Singapore Financial Reporting Standards promulgated by the Accounting Standards Council, as required by the Companies Act.

During the financial period, the company adopted all the applicable new/revised FRSs which are effective on or before 1 January 2010.

The adoption of these new/revised FRSs did not have any material effect on the company's financial statements and did not result in substantial changes to the company's accounting policies.

(b) Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

At the balance sheet date, there were no key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgments made in applying accounting policies

In the process of applying the company accounting policies, the management has made certain judgments, apart from those involving estimations, which have significant effect on the amount recognised in the financial statements.

(i) Allowance for Bad and Doubtful Receivables

The impairment policy for bad and doubtful debts of the company is based on the evaluation of collectibility and ageing analysis of the accounts receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowance will be required.

(ii) impairment of investment in subsidiary

The company follows the guidance of FRS 36 in determining whether its long term investment in subsidiary has been impaired. This determination requires significant judgment. The company evaluates, among other factors, whether the fair value of the investment is less than its cost, the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(c) FRS and INT FRS not yet effective

The company has not applied any new FRS or INT FRS (Interpretations of Financial Reporting Standards) that has been issued as at the balance sheet date but is not yet effective. The directors do not anticipate the adoption of the new FRS and INT FRS in future financial periods to have any material impact on the company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

(d) Investment in Subsidiary

The company treats as subsidiary a company in which it holds more than half of the issued capital, or where it controls the composition of the board of directors as well as more than half the voting power.

Investment in subsidiary is held on a long term basis and stated in the company's balance sheet at cost less impairment loss, if any. A list of the company's subsidiary company is shown in note 7.

(e) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Receivables with a short duration are not discounted.

When there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables, an impairment loss is recognised. The amount of the impairment loss is measured as the difference between the carrying value of the receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in profit or loss.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which is subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

(g) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables with a short duration are not discounted.

(h) Income Taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss, in which case, it is recognised in other comprehensive income or directly to equity accordingly.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to other comprehensive income if the tax related to items that are credited or charged, in the same or a different period, to other comprehensive income or directly to equity.

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

3 PRINCIPAL ACTIVITIES

The principal activity of the company consists of investment holding. However, the Company did not trade during the financial period.

4 OTHER INCOME

Other income comprises the following item:

	2011	2011
	\$	Rs. Crore
Gain on disposal of investment in subsidiary	—	—
	<u>—</u>	<u>—</u>

5 EXPENSES

Included in expenses are the following items:

	2011	2011
	\$	Rs. Crore
Exchange loss	—	—
	<u>—</u>	<u>—</u>

6 INCOME TAX

	2011	2011
	\$	Rs. Crore
Provision for current taxation	—	—
Reconciliation of income tax:		
Loss for the period	(5,732)	(0.02)
Tax at statutory rate of 17%	(974)	(0.00)
Tax effects of:		
Non-taxable income	—	—
Non-deductible expenses	974	0.00
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

7 INVESTMENT IN SUBSIDIARY

	2011	2011
	\$	Rs. Crore
Unquoted equity shares at cost	64,935	0.23
Less: Impairment loss	—	—
Balance brought forward	64,935	0.23
Disposal	—	—
Balance carried forward	64,935	0.23
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

Details of the subsidiary company are as follows:

Name of subsidiary company	Principal activities	Country of incorporation/ place of business	Percentage of	Cost of	Cost of
			shareholding	investment	investment
			2011	2011	2011
			%	\$	Rs. Crore
DRx Aesthetics SDN. BHD.	Maintain private medical practice and medical laboratory service and consultation	Malaysia	100	64,935	0.23

The financial statements of this subsidiary were audited by another firm of auditors.

These financial statements are separate financial statements under FRS 27 Consolidated and Separate Financial Statements. As provided under FRS 27, the company has elected not to prepare consolidated financial statements as it is itself a wholly-owned subsidiary of Derma- Rx International Aesthetics Pte. Ltd., a company incorporated in the Republic of Singapore.

The ultimate and intermediate holding companies, which are incorporated in India, are Marico Limited and Kaya Limited respectively. Marico Limited, which is listed on the stock exchange of Mumbai, produces consolidated financial statements for public use. The registered office of Marico Limited is located at Rang Sharda, Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai 400050.

8 AMOUNT OWING BY SUBSIDIARY

	2011	2011
	\$	Rs. Crore
Amount owing by subsidiary non-trade	634,220	2.24
Less: Allowance for doubtful debts	(634,220)	(2.24)
	<u> -</u>	<u> -</u>

The amount owing by subsidiary is unsecured, interest-free and is repayable on demand.

9 SHARE CAPITAL

	2011	2011
	\$	Rs. Crore
Issued and fully paid:		
748,343 (2009: 15,000) ordinary shares	<u>748,343</u>	<u>2.65</u>

The issued and fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

During the financial period, the issued share capital of the company was increased from \$15,000 to \$748,343 by an allotment of 733,343 ordinary shares by way of capitalisation of amount owing to holding company for the purpose of providing additional working capital.

10 OTHER PAYABLES

	2011	2011
	\$	Rs. Crore
Accruals	<u>3,050</u>	<u>0.01</u>

Accruals are unsecured, non-interest bearing and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

11 AMOUNT OWING TO HOLDING COMPANY

In FY2009, Derma–Rx (Asia Pacific) Pte Ltd, a company incorporated in the Republic of Singapore, was the immediate holding company.

The non–trade balance owing to holding company was unsecured, interest–free and was repayable on demand.

12 AMOUNT OWING TO SUBSIDIARY

	2011	2011
	\$	Rs. Crore
Amount owing to subsidiary non–trade	3,000	0.01

The amount owing to subsidiary is unsecured, interest–free and is repayable on demand.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise bank balance as shown in the balance sheet.

14 HOLDING COMPANIES

On 24 May 2010, the corporate shareholder of the company, Derma–Rx (Asia Pacific) Pte Ltd, had disposed of its entire interest in the company to Derma–Rx International Aesthetics Pte. Ltd. (“DIAL”), a company incorporated in the Republic of Singapore, thereby resulting in DIAL being the immediate holding company as of that date.

The ultimate and intermediate holding companies, which are incorporated in India, are Marico Limited and Kaya Limited respectively.

15 FINANCIAL RISK MANAGEMENT

The company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk and liquidity risk. The management reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the company as and when they fall due.

At the balance sheet date, the company’s maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

At the balance sheet date, the company has no significant concentration of credit risk apart from 100% (2009: 100%) of the bank balance placed with a single bank.

Financial assets that are neither past due nor impaired

Bank balance that is neither past due nor impaired is placed with reputable licensed bank in Singapore.

Financial assets that are past due and/or impaired

Information regarding financial assets that are either past due or impaired is disclosed in note 8 to the financial statements.

(ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting financial obligations due to shortage of funds.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

The company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the company's operations and to mitigate the effects of fluctuations in cash flows.

All financial liabilities of the company will mature within one year or are repayable on demand.

16 CAPITAL MANAGEMENT

The company's capital management objective is to safeguard the company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the company may issue new shares, obtain new borrowings or sell assets to reduce debts.

The company monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as other payables less bank balance. Total capital is calculated as equity plus net debt.

	2011	2011
	\$	Rs. Crore
Other payables	6,050	0.02
Less: Bank balance	<u>(10,315)</u>	<u>(0.04)</u>
Net debt	<u>(4,265)</u>	<u>(0.02)</u>
Share capital	748,343	2.65
Accumulated losses	<u>(744,078)</u>	<u>(2.63)</u>
Equity surplus/(deficit)	4,265	0.02
Total capital	<u> </u>	<u> </u>
Gearing ratio	<u> </u>	<u> </u>

The company is not subject to externally imposed capital requirements.

There were no changes to the company's approach to capital management during the period.

17 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of cash and cash equivalents, receivables and payables, approximate their fair values due to their short term nature.

18 COMPARATIVE FIGURES

The comparative figures in the statement of comprehensive income, statement of changes in equity and statement of cash flows cover the period from 1 January 2009 to 31 December 2009

The comparative figures in the balance sheet represent the balances as at 31 December 2009

19 CHANCE OF FINANCIAL YEAR END

The financial year end of the company has been changed from 31 December to 31 March. The current financial period cover the period from 1 January 2010 to 31 March 2011.

20 FINANCIAL STATEMENTS 2009

The financial statements for the year ended 31 December 2009 were audited by another firm of auditors (other than Lo Hock Ling & Co.) whose report dated 30 March 2010 expressed an unqualified opinion on these statements.

21 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the company for the period from 1 January 2010 to 31 March 2011 were authorised for issue in accordance with a directors' resolution dated 15 April 2011.

PROFIT AND LOSS ACCOUNT

For the period from 1 January 2010 to 31 March 2011

	2011	2011
	\$	Rs. Crore
Gain on disposal of investment in subsidiary	—	—
LESS: EXPENSES		
Audit fee	2,000	0.01
Bank charges	80	0.00
Exchange loss	—	—
Filing fees	—	—
General expenses	98	0.00
Legal and professional fees	1,704	0.01
Printing and stationery	200	0.00
Secretarial fees	1,450	0.01
Tax agent fees	200	0.00
	<u>5,732</u>	<u>0.02</u>
Loss for the period	<u>(5,732)</u>	<u>(0.02)</u>

Board of Directors

Ajay Kumar Pahwa

Naveen Duggal

Dr. Tan Siak Khim

Janifer Yeo-Tan

Chin Chee Kee

Poh Shiow Mei

Registered Office

339 Mezzanine Floor,
Jalan Tuanka Abdul Rehman
50100 Kuala Lumpur,
Malaysia

Factory

N-1 -1 Plaza Damas,
60 Jalan Sri Hartamas 1,
Sri Hartamas, 50480 Kuala Lumpur
Malaysia

Auditors

Sundar & Associates
Chartered Accountants

Bankers

Public Bank Berhad

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements for the financial period ended 31 March 2011.

Principal activity

The principal activity of the Company is in the business of managing private medical practice and medical laboratory service and consultation as well as dealing in all kinds of medical and its related products. There has been no significant change in the nature of these activities during the period.

Change of financial year end

The financial year end of the Company was changed from 31 December to 31 March during the period.

Financial results

	RM	Rs.Crore
Profit after taxation	341,908	1.21

Dividends

No dividend has been paid or declared by the Company since the end of previous financial year. The directors also do not recommend any dividend payment in respect of the current financial period.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial period.

Issue of shares and debentures

On 30th March 2010, the Company increased its paid up capital from RM250,000 (Rs.Crore 0.88) to RM 990,000 (Rs. Crore 3.50) by way of an issue of 740,000 new ordinary shares of RM 1.00 each in consideration of making full settlement of debt of RM 740,000 (Rs. Crore 2.62) due to a shareholder.

There was no issue of debentures during the financial year.

Directorate

The directors in office since the date of last report are:-

DR. TAN SIAK KHIM	
JANIFER YEO-TAN (FORMERLY JANIFER YEO @ YEO CHENG HOON)	Change of name w.e.f.23/03/2011)
CHOW CHONG YEEI @ CHOW CHONG YEW	(Resgd. w.e.f. 25/05/2010)
KONG CHAN LING	(Resgd w.e.f. 25/05/2010)
CHIN CHEE KEE	(Apptd w.e.f 25/05/2010)
JOYCE YEO	(Resgd w.e.f 05/05/2010)
POH SHIOW MEI	(Apptd w.e.f 25/05/2010)
AJAY PAHWA	(Apptd w.e.f 25/05/2010)
NAVEEN DUGGAL	(Apptd w.e.f 25/05/2010)

DIRECTORS' REPORT (contd.)

Particulars of interest in shares of the Company by the directors who held office at the end of the financial period are as follows:

	Ordinary shares of RM1/- each			
	As at 01/01/2010	Bought	Sold	As at 31/03/2011
DR. TAN SIAK KHIM	—	—	—	—
JANIFER YEO -TAN	—	—	—	—
POH SHIOW MEI	—	—	—	—
AJAY PAHWA	—	—	—	—
NAVEEN DUGGAL	—	—	—	—
CHIN CHEE KEE	—	—	—	—

Directors' benefits

Neither at the end of the financial period, nor at any time during this period, did there subsist any arrangement to which the Company or any of its related corporations was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

Other statutory information

- (a) Before the income statement and balance sheet were made out, the directors took reasonable steps :-
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or to make any provisions for doubtful debts in respect of the financial statements of the Company; and
 - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading, or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial period which secures the liabilities of any other person.
 - (ii) any contingent liability of the Company which has arisen since the end of the financial period.

DIRECTORS' REPORT (contd.)

- (d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (f) In the opinion of the directors,
 - (i) the results of the Company's operations during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature;
 - (ii) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the current financial period.

Ultimate holding company

The directors regard Marico Limited, a company incorporated in India as the ultimate holding company of the Company.

Auditors

Messrs. Sundar & Associates have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance
with a resolution of the Directors dated 18 April 2011

NAVEEN DUGGAL

Director

JANIFER YEO - TAN

Director

STATEMENT BY DIRECTORS

Pursuant to Section 169 (15) of the Companies Act, 1965

We, Janifer Yeo - Tan and Naveen Duggal, being two of the directors of **DRX AESTHETICS SDN. BHD.**, do hereby state that, in the opinion of the directors, the accompanying balance sheet and statements of income, cash flows and changes in equity are drawn up in accordance with MASB approved accounting standards for private entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and of the results and the cash flows of the Company for the period then ended.

Signed on behalf of the Board of Directors in accordance
with a resolution of the Directors dated 18 April 2011

NAVEEN DUGGAL

Director

JANIFER YEO - TAN

Director

STATUTORY DECLARATION

I, **Janifer Yeo - Tan**, being the director primarily responsible for the accounting records and financial management of **DRX AESTHETICS SDN. BHD.**, do solemnly and sincerely declare that the accompanying balance sheet and statements of income, cash flows and changes in equity are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Petaling Jaya in
the Selangor Darul Ehsan this

JANIFER YEO - TAN

Before me,

PN KOH TWRVEE YONG

No: B 357

KOH TWEE SIEW

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
DRX AESTHETICS SDN. BHD

Report on the Financial Statements

We have audited the financial statements of **DRX AESTHETICS SDN. BHD.**, which comprise the balance sheet as at 31 March 2011, and the income statement, statements of changes in equity and cash flow statements for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 20. The financial statement of the Company as at 31 December 2009 were audited by another auditor whose report dated 1 March 2010, expressed an unqualified opinion on those statement.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Private Entities Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entities Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 March 2011 and of its financial performance and cash flows for the period then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3(i) in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding as of that date, the Company's current liabilities exceeded its current assets by RM1,633,824/- (Rs. Crore 5.78), thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

INDEPENDENT AUDITORS' REPORT

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SUNDARASAN A/L ARUMUGAM

1876/02/12(J/PH)

Chartered **Accountant** (M)

Petaling Jaya

Date : 18 April 2011

SUNDAR & ASSOCIATES

AF No: 1127

Chartered Accountants (M)

INCOME STATEMENT

for the period ended 31 March 2011

	Notes	2011	2011
		RM	Rs. Crore
Turnover	3 (ii)	1,236,438	4.37
Cost of sales		(419,261)	(1.48)
Gross profit		817,177	2.89
Other income		35,436	0.13
Staff costs		(63,996)	(0.23)
Depreciation		(91,795)	(0.32)
Other operating expenses		(343,545)	(1.21)
Operating profit / (loss)		353,277	1.25
Finance costs		(7,290)	(0.03)
Profit/ (loss) before taxation	5	345,987	1.22
Taxation	6	(4,079)	(0.01)
Profit / (loss) after taxation		341,908	1.21

The annexed notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 MARCH 2011

	Notes	2011 RM	2011 Rs. Crore
Non-current asset			
Plant and equipment	8	3,156	92,551
Current assets			
Inventories	3(iv)/9	31,096	0.11
Trade receivables		3,110	0.01
Other receivables , deposits and prepayment	10	81,059	0.29
Tax recoverable		0	0.00
Fixed deposits with a licensed bank		0	0.00
Cash and bank balances		295,736	1.05
		<u>411,001</u>	<u>1.45</u>
Current Liabilities			
Trade payables		444,763	1.57
Other payables and accrued liabilities	11	66,186	0.23
Amount owing to a shareholder		0	0.00
Amount owing to the holding company	12	1,533,797	5.42
Taxation		79	0
Bank overdraft	13	0	0.00
		<u>2,044,825</u>	<u>7.23</u>
Net current liabilities		(1,633,824)	(5.78)
		<u>(1,630,668)</u>	<u>(5.77)</u>
Financed by :			
Share capital	14	990,000	53.00
Accumulated loss		(2,620,668)	(9)
		<u>(1630668)</u>	<u>(6)</u>

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2011

	Share capital RM	Accumulated loss RM	Total RM
Balance as at 1 January 2010	250,000	(2,962,576)	(2,712,576)
Issue of shares	740,000	–	740,000
Profit after taxation	–	341,908	341,908
Balance as at 31 March 2011	<u>990,000</u>	<u>(2,620,668)</u>	<u>(1,630,668)</u>
	Share capital RM	Accumulated loss RM	Total RM
Balance as at 1 January 2010	0.88	0.88	(9.59)
Issue of shares	2.62	–	2.62
Profit after taxation	–	0.88	1.21
Balance as at 31 March 2011	<u>3.50</u>	<u>0.88</u>	<u>(5.77)</u>

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENT

for the period ended 31 March 2011

	2011 RM	2011 Rs. Crore
Cash flows from operating activities		
Profit / (loss) before taxation	345987	1.22
Adjustments for :Bad debts written off	0.00	
Depreciation on plant and equipment	91,795	0.32
Fixed deposit interest	(2,248)	(0.01)
Gain on foreign exchange-unrealised	(3,610)	(0.01)
Loss on disposal of plant and equipment	0.00	0.00
Gain on disposal plant and equipment	(900)	0.00
Operating profit before working capital changes	431,024	1.52
Changes in working capital :		
Inventories	(20,495)	(0.07)
Trade receivables	540	0.00
Other receivables,deposits and prepayment	(10,684)	(0.04)
Trade payables	(93,717)	(0.33)
Other payables and accrued liabilities	52,776	0.19
Cash generated from / (absorbed by) operations	359,444	1.27
Fixed deposit interest	2,248	0.01
Tax paid	(3,630)	(0.01)
Net cash flow from operating activities	358,062	1.27
Cash flows from investing activities:		
Purchase of plant and equipment	(2,400)	(0.01)
Proceeds from disposal of plant and equipment	900	0.00
Decrease / (increase) in deposits pledged to a bank	327,648	1.16
Net cash flow from investing activities	326,148	1.15
Cash flows from financing activity:		
Repayment of term loan	0.00	0.00
Net cash flow financing activity	0.00	0.00
Net increase / (decrease) in cash and cash equivalents	684,210	2.42
Cash and cash equivalents brought forward	(388,474)	(1.37)
Cash and cash equivalent carried forward	295,736	1.05
Breakdown of cash and cash equivalents carried forward:		
Cash and bank balances	295,736	1.05
Bank overdraft	0.00	0.00
	295,736	1.05

The annexed notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2011

1. Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the company is located at 339, Mezzanine Floor, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur and the principal place of business is located at N-1-1, Plaza Damas, No 60, Jalan Sri Hartamas 1, 50480 Kuala Lumpur.

2. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 18 APR 2011

3. Significant accounting policies

(i) Basis of preparation

The financial statements comply with applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

The financial statements have been prepared under the historical cost convention.

As at 31 March 2011, the Company's current liabilities exceeded its total assets by RM1,633,824/- (Rs. Crore 5.78). However, the financial statements have been prepared on the basis of accounting principle applicable to a going concern. This going concern basis presumes that the Company will be able to operate profitably in the foreseeable future and continue to receive financial support from the shareholders and consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. In this connection, the directors are satisfied that the Company will be able to meet its financial obligation as and when they fall due for the foreseeable future.

(ii) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sale of goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

Services rendered

Revenue is recognised upon rendering of services and when the outcome of the transactions can be estimated reliably. In the event the outcome of the transactions could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation.

Depreciation on plant and equipment is calculated on a straight-line method based on the estimated useful lives of the assets.

The principal annual rates of depreciation used are as follows:-

Computer and equipment	20%
Furniture and fittings	20%
Air-conditioners	20%
Medical and surgical equipment	20%
Renovations	20%

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2011

Plant and equipment is written down to recoverable amount if, the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

(iv) Inventories

Inventories, encompassing finished goods purchased and held for resale, are stated at the lower of cost and net realisable value. Cost is determined on first-in first-out method and includes transport and handling costs.

(v) Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(vi) Cash and cash equivalents

Cash represent cash and bank balances. Cash equivalents comprises of investments maturing within three months from the date of acquisition and which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value.

(vii) Payables

Payables are stated at cost which is the consideration to be paid in the future for products and services received.

(viii) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity.

(ix) Provisions

Provisions are recognised when the Company has a present legal and constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

(x) Employment benefit

a Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

b Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employee Provident Fund (EPF). Such contributions are recognised as an expense in the income statement as incurred.

(xi) Impairment of assets

The carrying values of assets excluding inventories, deferred tax assets, assets arising from employee benefits and financial assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognized as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(xii) Currency conversion

Transactions in foreign currencies are translated to Malaysian Ringgit at rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

The principal closing rates used in translation of foreign currency amount are as follows:

	2011
	RM
Singapore Dollar	2.4004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

4. Principal activity

The principal activity of the Company is in the business of managing private medical practice and medical laboratory service and consultation as well as dealing in all kinds of medical and its related products.

5. Profit/ (Loss) before taxation

Profit / (loss) before taxation is stated after charging :-

	2011	2011
	RM	Rs. Crore
Rental of office	155100	0.55
Auditors' remuneration	7,500	0.03
Overdraft interest	7,290	0.03
Bad debt written off	0.00	0.00
Hire purchase interest	0.00	0.00
Loss on foreign exchange-realised	0.00	0.00
Loss on disposal of plant and equipment	0.00	0.00
and crediting :		
Gain on foreign exchange-realised	28,678	0.10
Gain on foreign exchange-unrealised	3,610	0.01
Gain on disposal of plant and equipment	900	0.00

Included in staff cost are EPF contributions amounting to RM 6,779/- (2009 : RM 6,660 /-)

6. Taxation

Tax charge for the year is as follows:

	2011	2011
	RM	Rs. Crore
Provision for the period / year	4079	0.00

A reconciliation of income tax expense applicable to profit / (loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows :

	2011	2011
	RM	Rs. Crore
Profit / (loss) before taxation	345,987	1.22
Taxation at Malaysian statutory tax rate of 25%	86,497	0.31
Expenses not deductible for tax purposes	986	0.00
Origination of deferred tax asset not recognised	(61,925)	(0.22)
Proportion of profit in respect of overlapping year	(21,479)	(0.08)
Tax expense for the period / year	4,079	0.01

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

Subject to agreement of the Inland Revenue Board, the Company has the following available for set-off against future taxable income.

	2011	2011
	RM	Rs. Crore
Unutilised tax losses	928,791	3.28
Unutilised capital allowances	984,918	3.48
	<u>1,913,709</u>	<u>6.77</u>

7. Deferred taxation

Deferred tax assets have not been recognised in respect of the following items:

	2011	2011
	RM	Rs. Crore
Tax effect of:		
Temporary differences between		
Tax capital allowances and book depreciation of plant and equipment	37,825	0.13
Unabsorbed capital allowances	246,229	0.87
Unutilised tax losses	232,197	0.82
	<u>516,252</u>	<u>1.83</u>

8. Plant and equipment

The movement on plant and equipment is detailed on page 20.

(a) Included in the cost of plant and equipment are fully depreciated assets, which are still in use, as follows:

	2011	2011
	RM	Rs. Crore
Renovation	380,457	3.28
Medical and surgical equipment	222,058	3.28
Computer and equipment	34,604	3.28
Air - conditioner	17,400	3.28
Furniture and fittings	10,367	3.28
	<u>664,886</u>	<u>3.28</u>

9. Inventories

	2011	2011
	RM	Rs. Crore
Trading merchandise, at cost	<u>31,096</u>	<u>0.11</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

10. Other receivables, deposits and prepayment

	2011	2011
	RM	Rs. Crore
Other receivables	143	–
Deposits	70,240	0.25
Prepayments	10,676	0.04
	<u>81,059</u>	<u>0.29</u>

11. Other payables and accrued liabilities

	2011	2011
	RM	Rs. Crore
Other payables	58,868	0.00
Accrued expenses	7,318	0.00
	<u>66,186</u>	<u>0.00</u>

12. Amount due from the holding company

The Company's immediate holding company is Drx Investment Pte. Ltd., a company incorporated in Singapore, which holds 100 % interest in the shares of the company.

The ultimate holding company is Marico Limited a company incorporated in India.

The amount due to the above mentioned companies are unsecured; interest free and no terms of repayment have been arranged.

13. Bank overdraft facility

The bank overdraft that was availed to the Company as disclosed in the prior year financial statements amounting to RM 450,000 (Rs. Crore. 1.59) were secured as follows:

- (i) Fixed deposit amounting to RM 300,000 (Rs. Crore 1.06)
- (ii) Joint and several guarantees of all directors of the Company.

The overdraft was fully settled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

14. Share capital

	2011	2011
	RM	Rs. Crore
Authorised :		
Ordinary shares of RM 1/- each	<u>1,000,000</u>	<u>3.54</u>
Issued and fully paid:		
Ordinary shares of RM1/- each		
Balance brought forward	250,000	0.88
Issued during the year	<u>740,000</u>	<u>–</u>
Balance carried forward	<u>990,000</u>	<u>3.50</u>

On 30th March 2010, the Company increased its paid up capital from RM250,000 to RM 990,000 by way of an issue of 740,000 new ordinary shares of RM 1.00 each in consideration of making full settlement of debt of RM740,000 due to a shareholder.

15. Employees

	2011
Number of employees at the end of financial period /year	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

Plant and equipment Cost	Computer and equipment RM	Furniture and fittings RM	Medical and surgical equipment RM	Renovation RM	Airconditioner RM	Signboard RM	Total RM
Balance brought forward	47,449	70,828	669,683	383,512	33,200	0	1,204,672
Addition				0	0	2,400	2,400
Disposal	10,406	57,962	162,953	0	15,800	0	247,121
Balance carried forward	37,043	12,866	506,730	383,512	17,400	2,400	959,951
Accumulated depreciation	Computer and equipment RM	Furniture and fittings RM	Medical and surgical equipment RM	Renovation RM	Airconditioner RM	Signboard RM	Total RM
Balance brought forward	46,534	69,328	580,158	382,901	33,200	0	1,112,121
Addition	594	625	89,525	611	0	440	91,795
Disposal	10,406	57,962	162,953	0	15,800	0	247,121
Balance carried forward	36,722	11,991	506,730	383,512	17,400	440	956,795
Net book value	Computer and equipment RM	Furniture and fittings RM	Medical and surgical equipment RM	Renovation RM	Airconditioner RM	Signboard RM	Total RM
2011	321	875	0	0	0	1,960	3,156

Plant and equipment Cost	Computer and equipment RM	Furniture and fittings RM	Medical and surgical equipment RM	Renovation RM	Airconditioner RM	Signboard RM	Total RM
Balance brought forward	0.17	0.00	0.00	0.00	0.00	0.00	0.00
Addition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disposal	0.04	0.00	0.00	0.00	0.00	0.00	0.00
Balance carried forward	0.13	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated depreciation	Computer and equipment RM	Furniture and fittings RM	Medical and surgical equipment RM	Renovation RM	Airconditioner RM	Signboard RM	Total RM
Balance brought forward	0.16	0.00	0.00	0.00	0.00	0.00	0.00
Addition	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Disposal	0.04	0.00	0.00	0.00	0.00	0.00	0.00
Balance carried forward	0.13	0.00	0.00	0.00	0.00	0.00	0.00
Net book value	Computer and equipment RM	Furniture and fittings RM	Medical and surgical equipment RM	Renovation RM	Airconditioner RM	Signboard RM	Total RM
2011	0.00	0.00	0.00	0.00	0.00	0.01	0.01

INCOME STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2011

	2011	2011
	RM	Rs. Crore
Turnover	1,236,438	4.37
Cost of sales :		
Inventories -1 January	10,601	0.04
Purchases	438,151	1.55
Freight, forwarding and handling charges	1,605	0.01
Inventories - 31 March / 31 December	<u>(31,096)</u>	<u>(0.11)</u>
	419,261	1.48
Gross profit	817,177	2.89
Other income :		
Gain on foreign exchange-realised	28,678	0.10
Gain on foreign exchange-unrealised	3,610	0.01
Fixed deposits interest	2,248	0.01
Gain on disposal of plant and equipment	900	0.00
Commission	<u>—</u>	<u>—</u>
	35,436	0.13
Staff costs	APPendix I (63,996)	(0.23)
Depreciation	APPendix I (91,795)	(0.32)
Other operating expenses	APPendix II (343,545)	(1.21)
Operating profit / (loss)	<u>353,277</u>	<u>1.25</u>
Finance costs	APPendix II 7,290	(0.03)
Profit / (loss) for the period / year	<u>345,987</u>	<u>1.22</u>

This management income statement is prepared from information furnished by the management of Drx Aesthetics Sdn. Bhd. and does not form part of the audited financial statements of the company.

SCHEDULE OF EXPENSES

for the period ended 31 March 2011

	2011 RM	2011 Rs. Crore
Staff costs		
Salaries	56,242	0.20
EPF	6,779	0.02
Socso	975	0.00
Bonus	0	0.00
	<u>63,996</u>	<u>0.23</u>
Depreciation		
Medical and surgical equipment	89,525	0.32
Furniture and fittings	625	0.00
Renovation	611	0.00
Computer and equipment	594	0.00
Signboard	440	0.00
	<u>91,795</u>	<u>0.32</u>
Other operating expenses		
Rental of office	155,100	0.55
Royalties	42,220	0.15
Professional fee	22,827	0.08
Travelling	17,632	0.06
Credit card commission	16,704	0.06
Allowances	16,530	0.06
Staff accomodation	10,447	0.04
Electricity and water	9,507	0.03
Office cleaning	9,031	0.03
Telephone charges	7,662	0.03
Auditors' remuneration	7,500	0.03
Accounting fee	6,648	0.02
General expenses	3,652	0.01
Printing and stationery	2,963	0.01
Office maintenance	2,457	0.01
Secretarial fees	2,246	0.01
Insurance	1,963	0.01
Recruitment fee	1,890	0.01
Balance carried forward	<u>336,979</u>	<u>1.19</u>

This management schedule of expenses is prepared from information furnished by the management of Drx Aesthetics Sdn. Bhd. and does not form part of the audited financial statements of the company.

SCHEDULE OF EXPENSES

for the period ended 31 March 2011 (cont'd)

	2011	2011
	RM	Rs. Crore
Other operating expenses (cont'd)		
Balance brought forward	336,979	1.19
Service tax	1,020	0.00
Postage and courier	786	0.00
Registration fee	780	0.00
Bank charges	724	0.00
Tax fee	500	0.00
Newspaper and periodicals	459	0.00
Penalty	435	0.00
Food and beverage	428	0.00
Subscription fee	395	0.00
Packing material	342	0.00
Repair and renewal	278	0.00
Filing Fees	150	0.00
Upkeep of office equipment	133	0.00
Laundry charges	76	0.00
Attestation fee	60	0.00
Loss on foreign exchange - realised	-	0
Bad debts written off	-	0
Advertisement	-	0
Seminar fee	-	0
Loss on disposal of plant and equipment	-	0
	<u>343,545</u>	<u>1.21</u>
Finance costs		
Overdraft interest	7,290	0.03
Hire purchases interest	0	0.00
	<u>7,290</u>	<u>0.03</u>

This management schedule of expenses is prepared from information furnished by the management of Drx Aesthetics Sdn. Bhd. and does not form part of the audited financial statements of the company.

INTERNATIONAL CONSUMER PRODUCTS CORPORATION

Board of Directors

Vijay Subramaniam

Phan Quoc Cong

Harshraj C. Mariwala

Milind S. Sarwate

Chaitanya J. Deshpande

Registered Office

3, Street No. 5, Song Than 1
Industrial Zones, Di An District,
Binh Duong Province,
Ho Chi Minh City, Vietnam

Factory

Song Than 1, Industrial Zones,
Thuan An District,
Binh Duong Province, Vietnam

Auditors

Ernst & Young Vietnam Ltd.

Bankers

Vietcombank (VCB)

HSBC

Asia Commercial Bank (ACB)

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of International Consumer Products Corporation (“the Company”) is pleased to present its report and the separate financial statements of the Company as at 31 December, 2010 and for the year then ended.

THE COMPANY

The Company is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 4602001139 issued by the Department of Planning and Investment of Binh Duong Province on 13 July, 2004 and the following Amended Business Registration Certificates:

<u>Amended Business Registration Certificates No.</u>	<u>Date</u>
4603000346 1st amendment	9 May, 2007
4603000346 2nd amendment	5 October, 2007
4603000346 3rd amendment	13 November, 2007
4603000346 4th amendment	25 March, 2008
4603000346 5th amendment	4 July, 2008
3700579324 6th amendment	28 December, 2009
3700579324 7th amendment	7 April, 2010

<u>Investment Certificate No.</u>	<u>Date</u>
462035000802	11 February 2011

The Company’s principal activities are to produce and trade in cosmetics, cosmetic materials and food products.

The Company’s head office is located at 3, 5th Street, Song Than 1 Industrial Park, Di AN District, Binh Duong Province, Vietnam.

SIGNIFICANT EVENTS

On 7 April 2010, the Company obtained an Amended Business Registration Certificate No. 3700579324 issued by the Department of Planning and Investment of Binh Duong Province, approving the change of its charter capital from VND 110,000,000,000 to VND 112,177,600,000 which was divided into 11,217,760 fully paid ordinary voting shares with a par value of VND 10,000 per share.

On 7 January 2011, the Company’s shareholders approved a plan to sell an aggregate of 9,535,495 existing ordinary shares or equivalent to 85% of the Company’s ordinary shares to Marico Limited (“Marico”). The transfer of the shares was effected on the 18th February 2011 as the completion date. The terms of the final agreement are included in the Share Sales and Purchase Agreement dated 7th January 2011. Marico is a leading Indian group providing consumer products and services and is listed on the Indian Stock Exchange. The change in its shareholders was approved in accordance with the Investment Certificate No. 462035000802 dated 11 February 2011.

THE BOARD OF MANAGEMENT

The members of the Board of Management during the year and as at the date of this report are:

Mr Phan Quoc Cong	Chairman	resigned on 11 February 2011
Mr Nguyen Manh Tuong	Member	resigned on 11 February 2011
Mr Lars Kjaer	Member	resigned on 11 February 2011
Ms Pham Vu Thanh Giang	Member	resigned on 11 February 2011
Mr Vijay S. Subramaniam	Chairman	appointed on 11 February 2011
Mr Phan Quoc Cong	Member	appointed on 11 February 2011
Mr Harshraj C. Mariwala	Member	appointed on 11 February 2011
Mr Milind S. Sarwate	Member	appointed on 11 February 2011
Mr Chaitanya J. Deshpande	Member	appointed on 11 February 2011

REPORT OF THE BOARD OF MANAGEMENT

AUDITORS

The auditors of the Company is Ernst & Young Vietnam Limited.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPERATE FINANCIAL STATEMENTS

Management is responsible for the separate financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of its results and cash flows for the year. In preparing those separate financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statement ; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management has confirmed to the Board of Management that the Company has complied with the above requirements in preparing the accompanying separate financial statements.

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements which give a true and fair view of the financial position of the Company as at 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with relevant statutory requirements.

Users of these separate financial statements should read them together with the consolidated financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2010 in order to obtain full information on the financial position, results of operations and cash flows of the Company and its subsidiaries as a whole.

On behalf of the Board of Management

Mr. Phan Quoc Cong

Member

14 April 2011

INDEPENDENT AUDITORS' REPORT

To, The Shareholders of International Consumer Products Corporation.

We have audited the separate balance sheet of International Consumer Products Corporation ("the Company") as at 31 December 2010, and the separate income statement and the separate cash flow statement for the year then ended and the notes thereto as set out on pages 5 to 27 (collectively referred to as "the separate financial statements"). These separate financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these separate financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2010, the separate results of its operations and the separate cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

Without qualifying our opinion, we draw attention to Note 2.1 to the separate financial statements which states that the Company is the parent company of the Group and that its consolidated financial statements prepared in accordance with the Vietnamese Accounting Standards and System have been issued separately. We have audited such consolidated financial statements as at and for the year ended 31 December 2010 and expressed an unqualified opinion thereon in our

Earnest & Young Vietnam Limited

Maria Cristina M. Calimbas

Deputy General Director

Registered Auditor

Certificate No. N.1073/KTV

Ho Chi Minh City, Vietnam

14 April 2011

Bui Xuan Vinh

Auditor-in-charge

Registered Auditor

Certificate No. 0842/KTV

BALANCE SHEET

AS AT 31 DECEMBER 2010

ASSETS	Notes	VND Ending balance	Rs. Crore Ending balance
A. CURRENT ASSETS		130,227,626,560	29.86
I Cash and cash equivalents	4	38,241,076,815	8.77
1. Cash		22,503,076,815	5.16
2. Cash equivalents		15,738,000,000	3.61
II. Current accounts receivable		32,565,943,746	-
1. Trade receivables		14,410,016,918	3.30
2. Advances to suppliers	5	18,092,868,639	4.15
3. Other receivables		63,058,189	0.01
4. Provision for doubtful debts		-	-
III. Inventories		58,312,143,306	13.37
1. Inventories	6	58,472,250,203	13.41
2. Provision for obsolete inventories		(160,106,897)	(0.04)
IV. Other current assets		1,108,462,693	0.25
1. Short-term prepaid expenses		562,886,492	0.13
2. Other current assets		545,576,201	0.13
B. NON-CURRENT ASSETS		145,543,112,111	33.37
I. Fixed assets		29,497,082,291	6.76
1. Tangible fixed assets	7	12,739,187,112	2.92
Cost		28,148,014,887	6.45
Accumulated depreciation		(15,408,827,775)	(3.53)
2. Intangible fixed assets	8	4,782,691,315	1.10
Cost		10,528,721,363	2.41
Accumulated amortisation		(5,746,030,048)	(1.32)
3. Construction in progress	9	11,975,203,864	2.75
II. Long-term investment		108,754,186,308	24.94
1. Investments in subsidiaries	10	108,754,186,308	24.94
III. Other long-term assets		7,291,843,512	1.67
1. Long-term prepaid expenses	11	7,291,843,512	1.67
2. Deferred tax assets		-	-
TOTAL ASSETS		275,770,738,671	63.23

Tran Le Kim Loan
Chief Accountant

Phan Quoc Cong
Chief Executive Officer

14 April 2011

BALANCE SHEET

AS AT 31 DECEMBER 2010

		VND	Rs. Crore
RESOURCES	Notes	Ending balance	Ending balance
A. LIABILITIES		38,886,239,305	8.92
I Current liabilities		37,190,614,093	8.53
1. Short-term loans and borrowings		–	–
2. Trade payables	12	25,905,092,774	5.94
3. Advances from customers		547,707,286	0.13
4. Statutory obligations	13	4,775,310,003	1.09
5. Payable to employees		17,998,518	0.00
6. Accrued expenses	14	5,676,272,619	1.30
7. Other payables		268,232,893	0.06
8. Bonus and welfare fund		–	–
II. Non-current liabilities		1,695,625,212	0.39
1. Deferred tax liabilities	21.3	517,172,410	0.12
2. Provision for severance allowance		1,178,452,802	0.27
B. OWNERS' EQUITY	15	236,884,499,366	54.32
I. Capital		236,884,499,366	54.32
1. Share capital	15.2	112,177,600,000	25.72
2. Share premium		112,213,880,000	25.73
3. Other funds belonging to owners' equity		123,392,018	0.03
4. Undistributed earnings	15.1	12,369,627,348	2.84
TOTAL LIABILITIES AND OWNERS' EQUITY		275,770,738,671	63.23

OFF BALANCE SHEET ITEM

ITEM	Ending balance	Ending balance
- Foreign currency (US\$)	244.38	0.00
Goods held by the company on consignment	2,732,092,427	0.63

Tran Le Kim Loan
Chief Accountant

Phan Quoc Cong
Chief Executive Officer

14 April 2011

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

		VND	Rs. in Crore
	Notes	Current year	Current year
Revenue from sale of goods	16	390,870,483,411	89.63
Deductions	16	(10,855,949,049)	(2)
Net revenue from sale of goods	16	380,014,534,362	87.14
Cost of goods sold	20	(196,813,795,260)	(45)
Gross profit from sale of goods		183,200,739,102	42.01
Finance income	17	637,220,588	0.15
Finance expenses	18	(408,745,146)	(0)
- In which: Interest expenses		(140,520,555)	(0)
Selling expenses	20	(132,101,309,870)	(30)
General and administrative expenses	20	(33,758,988,674)	(8)
Operating profit		17,568,916,000	4.03
Other income	19	380,810,825	0.09
Other expenses	19	(841,644,991)	(0)
Other loss	19	(460,834,166)	(0)
Profit before tax		17,108,081,834	3.92
Current corporate income tax expense	21.1	(3,210,876,562)	(1)
Deferred income tax (benefit) expense	21.3	(1,560,457,514)	(0)
Net profit after tax		12,336,747,758.00	2.83

Tran Le Kim Loan
Chief Accountant

Phan Quoc Cong
Chief Executive Officer

14 April 2011

CASH FLOW STATEMENT

as at and for the year ended 31 December 2010

ITEMS	Notes	VND	
		Current year	Current year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		17,108,081,834	3.92
Adjustments for			
Depreciation and amortization	7,8	6,939,377,699	1.59
Provisions		(25,117,800)	(0)
Unrealised foreign exchange gains		(68,452,327)	(0)
Gain from investing activities		(526,650,116)	(0)
Interest expense	18	140,520,555	0.03
Operating profit before changes in working capital		23,567,759,845	5.40
Decrease (increase) in receivables		22,649,783,023	5.19
Increase in inventories		(6,888,007,126)	(2)
Decrease in payables		(11,377,292,856)	(3)
(Increase) decrease in prepaid expenses		(2,843,116,106)	(1)
Interest paid		(140,520,555)	(0)
Corporate income tax paid	21.2	(4,750,228,702)	(1)
Other cash outflows from operating activities		(8,925,992,007)	(2)
Net cash from operating activities		11,292,385,516	2.59
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(5,746,456,358)	(1)
Proceeds from disposals of fixed assets		10,784,945	0.00
Payments for investments in other entities		(324,630,000)	(0)
Interest and dividends received		526,648,579	0.12
Net cash used in investing activities		(5,533,652,834)	(1)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution		2,177,600,000	0.50
Drawdown of borrowings		–	
Repayment of borrowings		(13,600,000,000)	(3)
Dividends paid		–	
Net cash used in financing activities		(11,422,400,000)	(3)
Net decrease in cash and cash equivalent		(5,663,667,318)	(1)
Cash and cash equivalents at beginning of year		43,904,744,133	10.07
Cash and cash equivalents at end of year	4	38,241,076,815	8.77

Tran Le Kim Loan
Chief Accountant

Phan Quoc Cong
Chief Executive Officer

14 April 2011

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

1 CORPORATE INFORMATION

International Consumer Products Corporation (“the Company”) is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 4602001139 issued by the Department of Planning and Investment of Binh and the following Amended Business Registration Duong Province on 13 Junly 2004 and the following Amended Business Registration

Amended Business Registration Certificates No.	Date
4603000346 - 1st amendment	9 May 2007
4603000346 - 2nd amendment	5 October 2007
4603000346 - 3rd amendment	13 November 2007
4603000346 - 4th amendment	25 March 2008
4603000346 - 5th amendment	4 July 2008
3700579324 - 6th amendment	28 December 2009
3700579324 - 7th amendment	7 April 2010
Joint Investment Certificate No.	Date
462035000802	11 February 2011

The Company’s principal activities are to produce and trade in cosmetics, cosmetic material and food products

The Company’s head office is located at 3, 5th Street, Song Than 1 Industrial Park, Di An district, Binh Duong province, vietnam.

The number of the Company’s employees as at 31 December 2010 was 395 (2009: 395 employees).

2 BASIS OF PREPARATION**2.1 Accounting Standards and System**

The separate financial statements of the Company, expressed in Vietnam dong (“VND”), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December, 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

The accompanying separate balance sheet, separate income statement, separate cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam’s accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows of the Company in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

The Company is the parent company of the subsidiaries listed in Note 10 (collectively known as “the Group”) and its consolidated financial statements prepared in accordance with the Vietnamese Accounting Standards and System and in compliance with the relevant statutory requirements have been issued separately.

Users of these separate financial statements should read them together with the consolidated financial statements of the Group as at and for the year ended 31 December 2010 in order to obtain full information on the financial position, results of operations and cash flows of the Group as a whole.

Accounting guidance issued but not yet effective

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments. The adoption of the Circular will require further disclosures and have impact on the presentation of certain financial instruments in the separate financial statements. The Circular will become effective for financial years beginning on or after 1 January 2011. The Company management is currently assessing the impact of adopting the circular on the future separate financial statements of the Company.

2.2 Registered accounting documentation system

The Company’s registered accounting documentation system is the General Journal.

2.3 Fiscal year

The Company’s fiscal year starts on 1 January and ends on 31 December.

2.4 Accounting currency

The Company maintains its accounting records in VND.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policies and disclosures

The accounting policies adopted by the Company in preparation of the separate financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2009 except for the changes in accounting policies for bonus and welfare fund.

During the year ended 31 December 2010, the Company adopted Circular No. 244/2009/TT-BTC issued by the Ministry of Finance on 31 December 2009 (“the Circular 244”) providing amendments and supplements to the existing accounting regime. One of the key changes applicable to the Company is the classification of bonus and welfare fund as a liability in the separate balance sheet as opposed to the prior year’s classification as an owners’ equity item. The Circular 244 is applied retrospectively.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.3 Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 Marc., 2011

The perpetual method is used to record inventories, which are valued as follows:

Raw materials, consumables and goods for resale	- cost of purchase on a weighted average basis.
Finished goods and work-in-process	- cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventories provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the separate income statement.

3.4 Receivables

Receivables are presented in the separate financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the separate income statement.

3.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the separate income statement as incurred.

When tangible fixed assets are sold or retired, their costs and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the separate income statement.

3.6 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the separate income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the separate income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

3.7 Depreciation and amortisation

Depreciation and amortisation of tangible fixed assets and intangible assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings & structures	25 years
Machinery & equipment	5 - 7 years
Means of transportation	4 years
Office equipment	4 -5 years
Patent /Copyright	4 years
Computer software	3 - 6 years

3.8 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the separate balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses. The following types of expenses are recorded as long-term prepaid expense and are amortised to the separate income statement:

- Land lease represents land use rights of the land situated at unit No. 3, Street 5, Song Than I Industrial Park, Di An District, Binh Duong Province, which the Company occupies under an agreement for a period of 41 years. The cost of rights is amortised on a straight line basis over the term of the lease.
- Tools and consumables with large value issued into production and can be used for more than one year are amortised over a two year period.

3.9 Investment in subsidiaries

Investments in subsidiaries over which the Company has control are carried at cost. Distributions from accumulated net profits of the subsidiaries arising subsequently to the date of acquisition are recognised in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted to the cost of the investment.

3.10 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3.11 Accrual for severance allowance

The severance pay to employee is accrued at the end of each reporting period for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the balance sheet date. Any changes to the accrued amount will be taken to the separate income statement. From 1 January 2009, the company pays unemployment insurance in accordance with Decree No.127/2008/ND-CP dated 12 December 2008.

3.12 Foreign currency transactions

The Company follows the guidance under Vietnamese Accounting Standard No. 10 "The Effects of Changes in Exchange Rates" (the WAS 10") in relation to foreign currency transactions as applied consistently in prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

Transactions in currencies other than the Company's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are revalued at exchange rates ruling at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the separate income statement.

The above guidance related to unrealized foreign exchange differences provided by VAS 10 is different from those stipulated in the Circular No. 201/2009/TT-BTC ("Circular 201") issued by the Ministry of Finance on 15 October 2009, providing guidance for the treatment of foreign exchange differences as follows:

Transaction	Under VAS 10	Under Circular 201
Translation of short-term monetary assets and liabilities denominated in foreign currencies.	All unrealised foreign exchange differences are taken to the separate income statement.	All unrealised foreign exchange differences are taken to the "Foreign exchange differences reserve" account in the equity section of the separate balance sheet and will be reversed on the following year.
Translation of long-term monetary liabilities denominated in foreign currencies at year-end.	All unrealised foreign exchange differences are taken to the separate income statement	- All unrealised foreign exchange gains are taken to the separate income statement. - All foreign exchange losses will be charged to the separate income statement. However, if the charging of all foreign exchange losses results in net loss before tax for the company, part of the exchange losses can be deferred and allocated to the separate income statement within the subsequent years. In any case, the total foreign exchange losses to be charged to current year's income must be at least equivalent to the foreign exchange losses arising from the translation of the current portion of the long-term liabilities, while the remaining portion of the foreign exchange losses can be deferred in the separate balance sheet and allocated to the separate income statement within the subsequent five years.

However, the impact to the separate financial statements had the Company adopted the Circular 201 for the year ended 31 December 2010 was not material as a whole.

3.13 Appropriation of net profits

Net profit after tax is available for appropriation to investors after approval by the shareholders' meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnamese regulatory requirements.

Financial reserve fund

Financial reserve fund is appropriated from the Company's net profit as proposed by the Board of Management and subject to shareholders' approval at the Annual General Meeting. The Fund is set aside to protect the Company's normal operations from business risks or losses, or to prepare for unforeseen losses or damages and force majeure, such as fire, economic and financial turmoil of the country or elsewhere.

Investment and development fund

Investment and development fund is appropriated from the Company's net profit as proposed by the Board of Management and subject to approval by shareholders at the Annual General Meeting. This Fund is set aside for use in the Company's expansion of its operation or in-depth investments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

Bonus and welfare fund

Bonus and welfare fund is appropriated from the Company's net profit as proposed by the Board of Management and subject to shareholders' approval at the Annual General Meeting. This Fund is set aside for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of the employees' material and spiritual benefits and it is reclassified as a liability as presented in Note 3.1.

3.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Interest income

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

Dividend

Revenue is recognised when the Company is entitled to receive dividend.

3.15 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the separate income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

- ▶ where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Company intends to either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4 CASH & CASH EQUIVALENTS

	VND	Rs. Crore
	Ending balance	Ending balance
Cash on hand	87,389,821	0.02
Cash in banks	22,415,686,994	5
Cash equivalents	15,738,000,000	3.61
TOTAL	38,241,076,815	8.77

5 ADVANCE TO SUPPLIERS

	VND	Rs. Crore
	Ending balance	Ending balance
Advance to Related party (Note 22)	12,190,132,807	2.80
Advance to Third parties	5,902,739,832	1.35
TOTAL	18,092,868,639	4.15

6 INVENTORIES

	VND	Rs. Crore
	Ending balance	Ending balance
Raw materials	17,531,980,807	4.02
Finished goods	15,292,492,475	3.51
Merchantile goods	10,049,383,119	2.30
Tools & supplies	9,473,179,315	2.17
Goods in Transit	5,131,527,114	1.18
Work in Process	993,687,373	0.23
TOTAL	58,472,250,203	13.41

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

7 TANGIBLE FIXED ASSETS

	VND				
	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	5,778,043,020	17,691,262,786	3,190,698,201	1,818,162,609	28,478,166,616
Newly purchased	–	135,294,800	187,826,400	383,240,682	706,361,882
Sold, disposed	(1,017,194,520)	–	–	(19,319,091)	(1,036,513,611)
Ending balance	4,760,848,500	17,826,557,586	3,378,524,601	2,182,084,200	28,148,014,887
In which					
Fully depreciated	–	270,395,748	–	132,263,856	402,659,604
Accumulated depreciation:					
Beginning balance	(1,333,941,712)	(8,643,978,196)	(1,093,782,306)	(673,529,090)	(11,745,231,304)
Depreciation for the year	(387,800,959)	(2,742,129,969)	(634,918,437)	(503,588,610)	(4,268,437,975)
Sold, disposed	596,305,821	–	–	8,535,683	604,841,504
Ending balance	(1,125,436,850)	(11,386,108,165)	(1,728,700,743)	(1,168,582,017)	(15,408,827,775)
Net carrying amount:					
Beginning balance	4,444,101,308	9,047,284,590	2,096,915,895	1,144,633,519	16,732,935,312
Ending balance	3,635,411,650	6,440,449,421	1,649,823,858	1,013,502,183	12,739,187,112

7 TANGIBLE FIXED ASSETS

	Rs. Crore				
	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	1.32	4.06	0.73	0.42	6.53
Newly purchased	–	0.03	0.04	0.09	0.16
Sold, disposed	(0.23)	–	–	(0.00)	(0.24)
Ending balance	1.09	4.09	0.77	0.50	6.45
In which					
Fully depreciated	–	0.06	–	0.03	0.09
Accumulated depreciation:					
Beginning balance	(0.31)	(1.98)	(0.25)	(0.15)	(2.69)
Depreciation for the year	(0.09)	(0.63)	(0.15)	(0.12)	(0.98)
Sold, disposed	0.14	–	–	0.00	0.14
Ending balance	(0.26)	(2.61)	(0.40)	(0.27)	(3.53)
Net carrying amount:					
Beginning balance	1.02	2.07	0.48	0.26	3.84
Ending balance	0.83	1.48	0.38	0.23	2.92

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

8 INTANGIBLE FIXED ASSETS

			VND		Rs. Crore	
	Patent/ Copyright	Computer software	Total	Patent/ Copyright	Computer software	Total
Cost:						
Beginning balance	179,493,840	10,277,160,429	10,456,654,269	0.04	2.36	2.40
Newly purchased	–	72,067,094	72,067,094	–	0.02	0.02
Ending balance	179,493,840	10,349,227,523	10,528,721,363	0.04	2.37	2.41
Accumulated amortisation:						
Beginning balance	(108,444,195)	(2,966,646,129)	(3,075,090,324)	(0.02)	(0.68)	(0.71)
Amortisation for the year	(44,873,460)	(2,626,066,264)	(2,670,939,724)	(0.01)	(0.60)	(0.61)
Ending balance	(153,317,655)	(5,592,712,393)	(5,746,030,048)	(0.04)	(1.28)	(1.32)
Net carrying amount:						
Beginning balance	71,049,645	7,310,514,300	7,381,563,945	0.02	1.68	1.69
Ending balance	26,176,185	4,756,515,130	4,782,691,315	0.01	1.09	1.10

9 CONSTRUCTION IN PROGRESS

	VND	Rs. Crore
	Ending balance	Ending balance
Land use right for future investment	9,353,967,273	2.145
Sachet machine 10 lanes	2,609,576,591	0.598
Sachet machine 6 lanes	11,660,000	0.003
TOTAL	11,975,203,864	2.746

10 INVESTMENTS IN SUBSIDIARIES

	VND	Rs. Crore
	Ending balance	Ending balance
Thuan Phat Foodstuff Joint Stock Company	88,954,186,308	20.39719492
Beaute Cosmetique Societe Par Actions	19,800,000,000	4.54014
TOTAL	108,754,186,308	24.93733492

Details of the Company's subsidiaries as at 31 December 2010 are as follows :

Name of subsidiaries	Interest %	Cost of investment VND	Cost of investment Rs. Crore	Location	Business
Thuan Phat Foodstuff Joint Stock Company	85.63%	88,954,186,308	20.40	Ho Chi Minh City Vietnam	Foodstuff
Beaute Cosmetique Societe Par Actions	99%	19,800,000,000	4.54	Ho Chi Minh City Vietnam	Cosmetics and cosmetic materials
TOTAL		108,754,186,308	24.94		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

Beaute Cosmetique Societe Par Actions (“BCS”), a shareholding company, was established in accordance with Business Registration Certificate No. 3700579324 issued by the Department of Planning and Investment of Ho Chi Minh City on 12 June 2008. As at 31 December 2010, Company holds a 99% equity share in this subsidiary.

Thuan Phat Foodstuff Joint Stock Company (“Thuan Phat”), a shareholding company, was established in accordance with Business Registration Certificate No. 41030067667 issued by the Department of Planning and Investment of Ho Chi Minh City on 18 May 2007. As at 31 December 2010, Company holds a 85.63% equity share in this subsidiary.

11. LONG-TERM PREPAID EXPENSES

	VND	Rs. Crore
	2010	2010
Interior expense for Hai Au Building	3,327,264,000	0.76
Land rental	2,066,782,822	0.47
Others	1,897,796,690	0.44
TOTAL	7,291,843,512	1.67

12. TRADE PAYABLES

	VND	Rs. Crore
	2010	2010
Due to third parties	25,905,092,774	5.94
TOTAL	25,905,092,774	5.94

13. STATUTORY OBLIGATIONS

	VND	Rs. Crore
	2010	2010
Corporate income tax (Note 21.2)	2,961,674,499	0.68
Value added tax	1,190,267,396	0.27
Personal income tax	507,651,737	0.12
Others	115,716,371	0.03
TOTAL	4,775,310,003	1.09

14. ACCRUED EXPENSES

	VND	Rs. Crore
	2010	2010
Promotion	2,750,396,883	0.63
Advertising accruals	745,180,907	0.17
Salary for outsource sales person	–	0.00
Office & supermarket space rental	–	0.00
Sales rebate	–	0.00
Bonus for employees	–	0.00
Others	2,180,694,829	0.50
TOTAL	5,676,272,619	1.30

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

15 OWNERS' EQUITY

15.1 Increase and decrease in owners' equity

	VND				
	Share capital	Share premium	Other funds belonging to Owners' Equity	Undistributed earnings	Total
Current year:					
Beginning balance	110,000,000,000	112,213,880,000	–	10,061,864,208	232,275,744,208
Increase in capital	2,177,600,000	–	–	–	2,177,600,000
Profit for the year	–	–	–	12,336,747,758	12,336,747,758
Transferred to funds belong to equity	–	–	5,456,033,378	(10,028,984,618)	(4,572,951,240)
Utilisation of funds	–	–	(5,332,641,360)	–	(5,332,641,360)
Ending balance	112,177,600,000	112,213,880,000	123,392,018	12,369,627,348	236,884,499,366

	Rs. Crore				
	Share capital	Share premium	Other funds belonging to Owners' Equity	Undistributed earnings	Total
Current year:					
Beginning balance	25.22	25.73		2.31	53.26
Increase in capital	0.50				0.50
Profit for the year				2.83	2.83
Transferred to funds belong to equity			1.25	(2.30)	(1.05)
Utilisation of funds			(1.22)		-1.22
Ending balance	25.72	25.73	0.03	2.84	54.32

15.2 Share Capital

	VND		
	Share capital Amounts as per Business Registration Certificate		Contributed share capital
		%	
Nguyen Manh Tuong	28,130,000,000	25%	28,130,000,000
Mekong Enterprise Fund II, Ltd	23,139,300,000	21%	23,139,300,000
Bi Private Equity New Markets II K/S	22,990,000,000	20%	22,990,000,000
Nguyen Yen Lan	16,844,700,000	15%	16,844,700,000
Phan Quoc Cong	14,975,390,000	13%	14,975,390,000
Others	6,098,210,000	5%	6,098,210,000
TOTAL	112,177,600,000	100%	112,177,600,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

On 7 April 2010, the Company obtained an Amended Business Registration Certificates No. 3700579324 issued by the Department of Planning and Investment of Binh Duong Province, approving the change of its charter capital from VND 110,000,000,000 to VND 112,177,600,000 which was divided into 11,217,760 fully paid ordinary voting shares with a par value of VND 10,000 per share.

On 7 January 2011, the Company's shareholders approved a plan to sell an aggregate of 9,535,495 existing ordinary shares or equivalent to 85% of the Company's ordinary shares to Marico Limited ("Marico"). The transfer of the shares was effected on 18 February 2011 as the Completion Date. The terms of the final agreement are included in the Share Sales and Purchase Agreement dated 7 January 2011. Marico is a leading Indian group providing consumer products and services and is listed on the Indian Stock Exchange. The change in its shareholders was approved in accordance with the Investment Certificate No. 462035000802 dated 11 February 2011.

15.3 Shares

	Current year Shares
Shares authorised to be issued	11,217,760
Shares issued and fully paid	11,217,760
Ordinary shares	11,217,760
Preference shares	–
Outstanding shares	11,217,760
Ordinary shares	11,217,760
Preference shares	–

16 REVENUE FROM SALE OF GOODS

	VND 2010	Rs. Crore 2010
Gross revenue	390,870,483,411	89.63
Less		–
Sales returns	(2,882,446,621)	(0.66)
Trade discounts	(7,973,502,428)	(1.83)
Net revenue	380,014,534,362	87.14

17 FINANCE INCOME

	VND 2010	Rs. Crore 2010
Interest income	526,648,579	0.12
Others	110,572,009	0.03
TOTAL	637,220,588	0.15

18 FINANCE EXPENSES

	VND 2010	Rs. Crore 2010
Foreign exchange losses	268,224,591	0.06
Interest expenses	140,520,555	0.03
TOTAL	408,745,146	0.09

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

19 OTHER INCOME AND EXPENSES

	VND	Rs. Crore
	2010	2010
Other income	380,810,825	0.09
Other expenses		
Contract penalty	(841,644,991)	(0.19)
NET	(460,834,166)	(0.11)

20 PRODUCTION AND OPERATING COSTS

	VND	RS. Crore
	2010	2010
Raw materials	185,599,544,504	42.56
Labour costs	46,290,892,298	10.61
Depreciation and amortisation (Notes 7 and 8)	6,939,377,699	1.59
Expenses for external services	121,347,556,659	27.82
Other expenses	2,496,722,644	0.57
TOTAL	362,674,093,804	83.16

21 CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 15% of taxable profits for twelve (12) years starting from its commercial operations and at the rate of 25% for the years thereafter.

In accordance with the Official Letter No. 3270/TCT-PCCS dated 1 September 2006 issued by the General Department of Tax, the Company is entitled to an exemption from CIT for three (3) years commencing with the first year of making profits, and a 50% reduction for the following seven (7) years. The Company made its initial profit in 2004.

The tax returns filed by Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the separate financial statements could change at a later date upon final determination by the tax authorities.

21.1 Current CIT expense

	2010	2010
	VND	Rs. Crore
CIT for the current year	3,210,876,563	0.74
Adjustment for under accrual of tax from prior years	-	0.00
TOTAL	3,210,876,563	0.74

21.2 Current CIT

The current tax payable is based on taxable profit for the year. The taxable profit of the Company for the year differs from the profit as reported in the separate income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

A reconciliation between the profit/(loss) before tax and taxable profit is presented below:

	Current year VND			Current year Rs. Crore		
	Registered activities per Business Registration Certificate	Other activities	Total	Registered activities per Business Registration Certificate	Other activities	Total
Profit (loss) before tax	17,568,916,000	(460,834,166)	17,108,081,834	4.03	(0.11)	3.92
Adjustments to increase (decrease) accounting profit						
Advertising expenses exceeding the deductible cap	31,127,937,252	–	31,127,937,252	7.14	–	7.14
Change in accrued expenses	(6,840,614,381)	–	(6,840,614,381)	(0.00)	–	(1.57)
Loss from trading activities	4,638,375,613	(4,638,375,613)	–	1.06	(1.06)	–
Finance income	(637,220,588)	637,220,588	–	(0.15)	0.15	–
Finance expenses	408,745,146	(408,745,146)	–	0.09	(0.09)	–
Non-deductible expenses	564,390,866	906,909,675	1,471,300,541	0.13	0.21	0.34
Change in provision for obsolete inventories	–	–	–	–	–	–
Unrealised foreign exchange losses	–	–	–	–	–	–
Change in provision for doubtful debts	(25,117,800)	–	(25,117,800)	(0.01)	–	(0.01)
Change in provision for severance allowance	(29,899,946)	–	(29,899,946)	(0.01)	–	(0.01)
Estimated current taxable profit (loss)	46,775,512,162	(3,963,824,662)	42,811,687,500	10.73	(0.91)	9.82
Estimated Current CIT			6,421,753,125	–	–	1.47
CIT reduction (50%)			(3,210,876,563)	–	–	(0.74)
CIT payable expenses for the year			3,210,876,562	–	–	0.74
CIT payable at beginning of year			4,501,026,639	–	–	1.03
Adjustment for under accrual of tax from prior years			–	–	–	–
CIT paid during the year			(4,750,228,702)	–	–	(1.09)
CIT payable at end of year			2,961,674,499	–	–	0.68

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

21.3 Deferred CIT

The following are the deferred tax assets and liabilities recognised by the Company, and the movements thereon, during the current and prior reporting years:

	Balance sheet		Credit (charge) to Income statement	
	2010 VND	2010 Rs. Crore	2010 VND	2010 Rs. Crore
Deferred tax liabilities				
Change in accrued expense	(513,046,079)	(0.12)	(1,451,812,875)	(0.33)
Change in severance allowance	(2,242,496)	0.00	(92,868,952)	(0.02)
Provision for obsolete inventories		0.00	(12,008,017)	(0.00)
Provision for doubtful debts	(1,883,835)	0.00	(3,767,670)	(0.00)
	<u>(517,172,410)</u>	<u>(0.12)</u>		
Net deferred income tax credit (charge) to separate income statement			<u>(1,560,457,514)</u>	<u>(0.36)</u>

22 TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year were as follows:

Related parties	Relationship	Transactions	VND	Rs. Crore
Beaute Cosmetique Societe Par Actions	Subsidiary	Purchase of goods	3,368,272,403	0.77
		Sales return from ICP	1,514,846,880	0.35
		Sale of goods	1,976,544,353	0.45
		Sales return from BCS	31,392,408	0.01
		Loan repayment	23,000,000,000	5.27
		Payment on behalf	52,460,500	0.01
Thuan Phat Foodstuff Joint Stock Company	Subsidiary	Sale of goods	57,552,251	0.01
		Purchase of goods	67,898,007,482	15.57
		Sales return from ICP	1,773,215,465	0.41
		Payment on behalf	358,832,251	0.08

Amounts due from a related party at the balance sheet date were as follows:

Advances	Relationship	Transactions	VND	Rs. Crore
Thuan Phat Foodstuff Joint stock Company	Subsidiary	Advance to purchase goods	<u>12,190,132,807</u>	<u>2.80</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

23 OPERATING LEASE COMMITMENT

The Company leases office premises and warehouse under operating leases. The minimum lease commitment as at 31 December 2010 under the operating lease agreement is as follows :

	VND	Rs. Crore
	2010	2010
Less than 1 year	3,283,392,000	0.75
From 1 to 5 years	12,143,568,000	2.78
TOTAL	15,426,960,000	3.54

24 CORRESPONDING FIGURES

Certain figures in the 31 December 2009 parent's separate balance sheet have been reclassified to confirm to current year's presentation.

25 EVENTS SINCE THE BALANCE SHEET DATE

On 7 January 2011, the Company's shareholders approved a plan to sell an aggregate of 9,535,495 existing ordinary shares or equivalent to 85% of the Company's ordinary shares to Marico Limited ("Marico"). The transfer of the shares was effected on 18 February 2011 as the Completion Date. The terms of the final agreement are included in the Share Sales and Purchase Agreement dated 7 January 2011. Marico is a leading Indian group providing consumer products and services and is listed on the Indian Stock Exchange. The change in its shareholders was approved in accordance with the Investment Certificate No. 462035000802 dated 11 February 2010. The approved charter capital of VND 112,177,600,000 was divided into 11,217,760 fully paid ordinary voting shares with a Par value of VND 10,000 per shares.

There has not been any other matter or circumstance that has arisen since the balance date that has affected or may significantly affect the operation of the company, the results of Company, the results of those operations or the state of affairs of the company in subsequent periods.

Tran Le Kim Loan
Chief Accountant

Phan Quoc Cong
Chief Executive Officer

14 April 2011

Board of Directors

Vijay Subramaniam

Phan Quoc Cong

Harshraj C. Mariwala

Milind S. Sarwate

Chaitanya J. Deshpande

Registered Office

8th floor, 39 B Hai Au Building,
Truong Son Street, Ward 4,
Tan Binh District,
Ho Chi Minh City, Vietnam

Auditors

Ernst & Young Vietnam Ltd.

Bankers

Vietcombank (VCB)

HSBC

Asia Commercial Bank (ACB)

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Beaute Cosmetique Societe Par Actions (“the Company”) is pleased to present its report and the financial statements of the Company as at 31 December 2010 and for the year then ended.

THE COMPANY

The Company was initially established as a limited liability company in accordance with License of Incorporation No. 4102033640 issued by the Department of Planning and Investment of Ho Chi Minh City on 4 October 2005.

On 12 June 2008, the Company registered to transform from a limited liability company to a joint stock company and was approved by the Department of Planning and Investment of Ho Chi Minh City in the Business Registration Certificate No. 4103010586 and the following Amended Business Registration Certificates:

Amended Business Registration Certificate No	Date
0304073031- 1 st amendment	24 December, 2008
0304073031- 2 nd amendment	11 December, 2009
0304073031- 3 rd amendment	20 January, 2010
0304073031- 4 th amendment	28 May, 2010

Joint Stock Enterprise Registration Certificate No.	Date
0304073031 -5 th amendment	24 August, 2010

The Company’s principal activities are to produce and trade in cosmetics, cosmetic materials and foodstuffs.

The registered office of the Company is located at 8^h floor, Hai Au Building, 39B Truong Son Street, Tan Binh District, Ho Chi Minh City.

SIGNIFICANT EVENTS

On 24 August 2010, the Company’s original charter capital has been increased from VND 7,000,000,000 to VND 20,000,000,000 which has been fully contributed as at 31 December 2010 in accordance with the Joint Stock Enterprise Registration Certificate No. 0304073031 dated 24 August 2010 and approved by the Department of Planning and Investment of Ho Chi Minh City. The approved charter capital of VND 20,000,000,000 was divided into 20,000,000 fully paid ordinary voting shares with a par value of VND 10,000 per share.

On 7 January 2011, the parent company’s shareholders approved a plan to sell an aggregate of 9,535,495 existing ordinary shares or equivalent to 85% of the parent company’s ordinary shares to Marico Limited (“Marico”). The transfer of the shares was effected on 18 February 2011 as the Completion Date. The terms of the final agreement are included in the Share Sales and Purchase Agreement dated 7 January 2011. Marico is a leading Indian group providing consumer products and services and is listed on the Indian Stock Exchange.

THE BOARD OF MANAGEMENT

The members of the Board of Management during the year and at the date of this report are:

Mr Phan Quoc Cong	Chairman
Ms Nguyen Khanh Ngoc	Member
Ms Nguyen Thi Tuyet Suong	Member

REPORT OF THE BOARD OF MANAGEMENT

AUDITORS

The auditors of the Company is Ernst & Young Vietnam Limited

STATEMENT OF MANAGEMENT RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of its results and cash flows for the year. In preparing those financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management has confirmed to the Board of Management that the Company has complied with the above requirements in preparing the accompanying financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2010 and the results of its operations and cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with relevant statutory requirements.

On behalf of the Board of Management

Phan Quoc Cong

Chairman

14 April 2011

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Beaute Cosmetique Societe Par Actions

We have audited the balance sheet of Beaute Cosmetique Societe Par Actions ("the Company") as at 31 December 2010, the income statement, the cash flow statement for the year then ended and the notes thereto as set out on pages 4 to 20 (collectively referred to as "the 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.

Basis of opinion

We conducted our audit in accordance with Vietnamese and International Standards on Auditing applicable in Vietnam. 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 the Company's management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2010 and of the results of its operations and the cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

Ernst & Young Vietnam Limited

Maria Cristina M. Calimbas

Deputy General Director

Registered Auditor

Certificate No. N.1073/KTV

Ho Chi Minh City, Vietnam

14 April 2011

Bui Xuan Vinh

Auditor-in-charge

Registered Auditor

Certificate No. 0842/KTV

BALANCE SHEET

as at 31 December 2010

ASSETS	Notes	Ending balance VND	Ending balance Rs. Crore
A. CURRENT ASSETS		28,281,933,535	6.49
I. Cash and cash equivalents	4	6,930,779,231	1.59
1. Cash		4,930,779,231	1.13
2. Cash equivalents		2,000,000,000	0.46
II. Current receivables		6,804,005,860	1.56
1. Trade receivables	5	407,135,647	0.09
2. Advances to suppliers		6,022,124,144	1.38
3. Other receivables		374,746,069	0.09
III. Inventories	6	14,101,531,489	3.23
1. Inventories		14,101,531,489	3.23
2. Provision for obsolete inventories		-	-
IV. Other current assets		445,616,955	0.10
1. Short-term prepaid expenses		298,856,955	0.07
2. Other current assets	7	146,760,000	0.03
B. NON-CURRENT ASSETS		4,467,980,975	1.02
I. Fixed assets		467,476,892	0.11
1. Tangible fixed assets	8	237,153,393	0.05
Cost		941,398,089	0.22
Accumulated depreciation		(704,244,696)	(0.16)
2. Intangible fixed assets	9	230,323,499	0.05
Cost		409,396,314	0.09
Accumulated amortisation		(179,072,815)	(0.04)
II. Other long-term assets		4,000,504,083	0.92
1. Long-term prepaid expenses	10	2,803,479,144	0.64
2. Deferred tax assets	20.3	151,949,687	0.03
3. Other long-term assets	11	1,045,075,252	0.24
TOTAL ASSETS		32,749,914,510	7.51

BALANCE SHEET

as at 31 December 2010

RESOURCES	Notes	Ending balance VND	Ending balance Rs. Crore
A. LIABILITIES		10,244,836,485	2.35
I. Current liabilities		9,637,037,735	2.21
1. Short-term loans and borrowings		–	–
2. Trade payables	12	2,422,689,969	0.56
3. Advances from customers		8,162,536	0.00
4. Statutory obligations	13	2,722,596,870	0.62
5. Payable to employees		2,761,898,183	0.63
6. Accrued expenses	14	1,721,690,177	0.39
7. Other payables		–	–
II. Non-current liabilities		607,798,750	0.14
1. Provision for severance allowance		607,798,750	0.14
B. OWNERS' EQUITY		22,505,078,025	5.16
I. Capital	15.1	22,505,078,025	5.16
1. Contributed capital		20,000,000,000	4.59
2. Retained earnings (Accumulated losses)		2,505,078,025	0.57
TOTAL LIABILITIES AND OWNERS' EQUITY		32,749,914,510	7.51

Nguyen Van Chin
Chief Accountant

14 April 2011

Pham Thi My Hanh
General Director

INCOME STATEMENT

for the year ended 31 December 2010

ITEMS	Notes	Current year VND	Current year Rs. Crore
1. Revenue from sale of goods	16	86,307,126,100	19.79
2. Deductions	16	(659,294,671)	(0.15)
3. Net revenue from sale of goods	16	85,647,831,429	19.64
4. Cost of goods sold	19	(20,445,474,889)	(4.69)
5. Gross profit from sale of goods		65,202,356,540	14.95
6. Finance income	17	1,583,566,004	0.36
7. Finance expenses	18	(820,024,715)	(0.19)
8. Selling expenses	19	(48,713,775,890)	(11.17)
9. General and administrative expenses	19	(11,090,304,303)	(2.54)
10. Operating profit		6,161,817,636	1.41
11. Other income		173,503,343	0.04
12. Other expenses		(77,410,446)	(0.02)
13. Other profit		96,092,897	0.02
14. Profit before tax		6,257,910,533	1.43
15. Current corporate income tax expenses	20.1	(1,652,460,040)	(0.38)
16. Deferred income tax (expense) benefit	20.3	(123,537,488)	(0.03)
17. Net profit after tax		4,481,913,005	1.03

Nguyen Van Chin
Chief Accountant

Pham Thi My Hanh
General Director

14 April 2011

CASH FLOW STATEMENT

For the year ended 31 December 2010

ITEMS	Notes	Current year VND	Current year Rs. Crore
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,257,910,533	1.43
Adjustments for :			
Depreciation and amortisation	8 - 9	307,816,118	0.07
Provisions	6	(144,257,948)	(0.03)
Unrealised foreign exchange gains		15,625,863	0.00
Operating profit before changes in working capital		6,437,094,566	1.48
(Increase) decrease in receivables		(2,828,265,535)	(0.65)
(Increase) decrease in inventories		(5,949,976,786)	(1.36)
Increase (decrease) in payables		3,516,377,080	0.81
Decrease in prepaid expenses		26,143,712	0.01
Corporate income tax paid	20.2	(1,517,244,674)	(0.35)
Net cash flows (used in) from operating activities		(315,871,637)	(0.07)
II. CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of fixed assets	8 - 9	(428,657,500)	(0.10)
Net cash flows used in investing activities		(428,657,500)	(0.10)
III. CASH FLOWS FROM FINANCING ACTIVITY			
Capital contribution		13,000,000,000	2.98
Repayment of borrowings		(23,000,000,000)	(5.27)
Net cash from financing activity		(10,000,000,000)	(2.29)
Net (decrease) increase in cash and cash equivalents		(10,744,529,137)	(2.46)
Cash and cash equivalents at beginning of the year		17,675,308,368	4.05
Cash and cash equivalents at end	4	6,930,779,231	1.59

Nguyen Van Chin
Chief Accountant

14 April 2011

Pham Thi My Hanh
General Director

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

1 CORPORATE INFORMATION

Beaute Cosmetique Societe Par Actions ("the Company") was initially established as a limited liability company in accordance with License of Incorporation No. 4102033640 issued by the Department of Planning and Investment of Ho Chi Minh City on 4 October 2005.

On 12 June 2008, the Company registered to transform from a limited liability company to a joint stock company and was approved by the Department of Planning and Investment of Ho Chi Minh City in the Business Registration Certificate No. 4103010586 and the following Amended Business Registration Certificate:

Amended Business Registration Certificate No	Date
0304073031 - 1st amendment	24 December 2008
0304073031 - 2nd amendment	11 December 2009
0304073031 - 3rd amendment	20 January 2010
0304073031 - 4th amendment	28 May 2010
Joint Stock Enterprise Registration Certificate No.	Date
0304073031 - 5th amendment	24 August 2010

The Company's principal activities are to produce and trade in cosmetics, cosmetic materials and functional food.

The registered office of the Company is located at 8^h floor, Hai Au Building, 39B Truong Son Street, Tan Binh District, Ho Chi Minh City.

The number of the Company's employees as at 31 December 2010 was 250 employees (2009: 249 employees).

2 BASIS OF PREPARATION

2.1 Accounting Standards and System

The financial statements of the Company, which are expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December, 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December, 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

Accordingly, the accompanying balance sheet, income statement, cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Accounting standard and guidance issued but not yet effective

On 6 November 2010, the Ministry of Finance issued Circular 210/2010/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments. The

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

adoption of the circular will require further disclosures and have impact on the presentation of certain financial instruments in the financial statements. The circular will become effective for financial years beginning on or after 1 January 2011. The Company's management is currently assessing the impact of adopting the circular on the future financial statements of the Company.

2.2 Registered accounting documentation system

The Company's registered accounting documentation system is the General Journal System.

2.3 Fiscal year

The Company's fiscal year starts on 1 January and ends on 31 December.

2.4 Accounting currency

The Company maintains its accounting records in VND.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.2 Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

The perpetual method is used to record inventories, which are valued as follows.

Merchandise - cost of purchase on a weighted average basis.

Provision for obsolete inventories

An inventories provision is created for the estimated loss arising due to the impairment of value inventories through diminution, damage, obsolesces etc. of merchandise and other owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

3.3 Receivables

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts. The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the income statement.

3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, their costs and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.5 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.6 Depreciation and amortisation

Depreciation and amortisation of tangible fixed assets and intangible assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Machinery & equipment	3 - 5 years
Office equipments	3 - 5 years
Accounting software	3 years

3.7 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

The following types of expenses are recorded as long-term prepaid expense and are amortised to the income statement:

- Office renovation costs: Renovation costs are amortised to the income statement over 5 years
- Advertising costs: Advertising costs are amortised over effective period under agreements; and
- Tools and consumables with large value issued into production and can be used for more than one year.

3.8 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3.9 Accrual for severance pay

The severance pay to employee is accrued at the end of each reporting period for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the balance sheet date. Any changes to the accrued amount will be taken to the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

3.10 Foreign currency transactions

The Company follows the guidance under VAS 10 “The Effects of Changes in Exchange Rates” (“VAS 10”) in relation to foreign currency transactions as applied consistently in prior years.

Transactions in currencies other than the Company’s reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the year-end, monetary assets and liabilities denominated in foreign currencies are retranslated at inter-bank exchange rates ruling at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the income statement.

The above guidance related to unrealised foreign exchange differences provided by VAS 10 is different from those stipulated in the Circular 201/2010/TT-BTC issued on 15 October 2010 by the Ministry of Finance providing guidance for the treatment of foreign exchange differences (the “Circular 201”) as follows:

Transaction	Under VAS 10	Under Circular 201
Translation of short-term monetary assets and liabilities denominated in foreign currencies	All unrealised foreign exchange differences are taken to the consolidated income statement	All unrealised foreign exchange differences are taken to the “Foreign exchange differences reserve” account in the equity section of the balance sheet and will be reversed on the following year

However, the impact to the financial statements had the Company adopted the Circular 201 for the year ended 31 December 2010 was not material as a whole.

3.11 Appropriation of net profits

Net profit after tax is available for appropriation to investors after approval by the shareholders’ meeting, and after making appropriation to reserve funds in accordance with the Company’s Charter and Vietnamese regulatory requirements.

3.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

3.13 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted as at the balance sheet date.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Group to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Group intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4 CASH AND CASH EQUIVALENTS

	Ending balance VND	Ending balance Rs. Crore
Cash on hand	1,259,223,368	0.29
Cash at banks	3,671,555,863	0.84
Cash equivalents	2,000,000,000	0.46
TOTAL	6,930,779,231	1.59

Cash equivalents represent three-month term deposits at Asia Commercial Bank as at 31 December, 2010.

5 TRADE RECEIVABLES

	Ending balance VND	Ending balance Rs. Crore
Related party	-	-
Others	407,135,647	0.09
TOTAL	407,135,647	0.09

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

6 INVENTORIES

	Ending balance VND	Ending balance Rs. Crore
Merchandise goods	12,512,674,328	2.87
Goods in transit	1,320,928,323	0.30
Tools and supplies	267,928,838	0.06
TOTAL	14,101,531,489	3.23
Provision for obsolete inventories	–	–
NET	14,101,531,489	3.23
Detail of movements of provision for obsolete inventories:		
	Current year VND	Current year Rs. Crore
Provision for obsolete inventories at beginning of year	(144,257,948)	(0.03)
Add: Provision created during the year	–	–
Less: Utilisation and reversal of provision during the year	144,257,948	0.03
Provision for obsolete inventories at end of year	–	–

7 OTHER CURRENT ASSETS

	Ending balance VND	Ending balance Rs. Crore
Advances to employees	97,360,000	0.02
Short-term deposits	49,400,000	0.01
TOTAL	146,760,000	0.03

8 TANGIBLE FIXED ASSETS

	Machinery & equipment VND	Office equipments VND	Total VND	Machinery & equipment Rs. Crore	Office equipments Rs. Crore	Total Rs. Crore
Cost:						
Beginning balance	375,913,745	444,387,094	820,300,839	0.09	0.10	0.19
Newly purchased	121,097,250	–	121,097,250	0.03	–	0.03
Reclassify	63,918,720	(63,918,720)	–	0.01	(0.01)	–
Ending balance	560,929,715	380,468,374	941,398,089	0.13	0.09	0.22
Accumulated Depreciation:						
Beginning balance	(150,164,948)	(323,500,381)	(473,665,329)	(0.03)	(0.07)	(0.11)
Depreciation for the year	(180,887,974)	(49,691,393)	(230,579,367)	(0.04)	(0.01)	(0.05)
Ending balance	(331,052,922)	(373,191,774)	(704,244,696)	(0.08)	(0.09)	(0.16)
Net carrying amount:						
Beginning balance	225,748,797	120,886,713	346,635,510	0.05	0.03	0.08
Ending balance	229,876,793	7,276,600	237,153,393	0.05	0.00	0.05

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

9 INTANGIBLE FIXED ASSETS

	VND	Rs. Crore
Cost:		
Beginning balance	101,836,064	0.02
Addition	307,560,250	0.07
Ending balance	409,396,314	0.09
Accumulated Amortization:		
Beginning balance	(101,836,064)	(0.02)
Amortization for the year	(77,236,751)	(0.02)
Ending balance	(179,072,815)	(0.04)
Net carrying amount:		
Beginning balance	-	-
Ending balance	230,323,499	0.05

10 LONG-TERM PREPAID EXPENSES

	Ending balance VND	Ending balance Rs.Crore
Maintenance and repair expenses	2,026,639,067	0.46
Tools and supplies	776,840,077	0.18
Advertising expenses	-	-
TOTAL	2,803,479,144	0.64

11 OTHER LONG-TERM ASSETS

Other long-term assets represent the long term deposits for renting offices.

12 TRADE PAYABLES

	Ending balance VND	Ending balance Rs.Crore
Third parties	2,422,689,969	0.56
TOTAL	2,422,689,969	0.56

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

13 STATUTORY OBLIGATIONS

	Ending balance VND	Ending balance Rs.Crore
Corporate income tax (Note 20.2)	1,518,865,350	0.35
Value added tax	647,412,377	0.15
Personal income tax	556,319,143	0.13
Others	–	–
TOTAL	2,722,596,870	0.62

14 ACCRUED EXPENSES

	Ending balance VND	Ending balance Rs.Crore
Advertising accruals	1,076,779,570	0.25
Bonus for employees	514,231,917	0.12
Others	130,678,690	0.03
TOTAL	1,721,690,177	0.39

15 OWNERS' EQUITY**15.1 Increase and decrease in owners' equity**

Current year:		VND		Rs.Crore		
Beginning balance	7,000,000,000	(1,976,834,980)	5,023,165,020	1.61	(0.45)	1.15
Capital contribution	13,000,000,000	–	13,000,000,000	2.98	–	2.98
Profit for the year	–	4,481,913,005	4,481,913,005	–	1.03	1.03
Ending balance	20,000,000,000	2,505,078,025	22,505,078,025	4.59	0.57	5.16

15.2 Contributed capital

	Charter capital			Charter capital		
	Amounts as per Joint Stock Enterprise Registration Certificate	%	Contributed charter capital	Amounts as per Joint Stock Enterprise Registration Certificate	%	Contributed charter capital
International Consumer Products Company	19,800,000,000	99.00	19,800,000,000	4.54	99.00	4.54
Nguyen Thi Tuyet Suong	100,000,000	0.50	100,000,000	0.02	0.50	0.02
Nguyen Khanh Ngoc	100,000,000	0.50	100,000,000	0.02	0.50	0.02
TOTAL	20,000,000,000	100	20,000,000,000	4.59	100	4.59

On 24 August 2010, the Company's original charter capital has been increased from VND 7,000,000,000 to VND 20,000,000,000 which has been fully contributed as at 31 December, 2010 in accordance with the Joint Stock Enterprise Registration Certificate No. 0304073031 dated 24 December 2008 and approved by the Department of Planning and Investment of Ho Chi Minh City. The approved charter capital of VND 20,000,000,000 was divided into 20,000,000 fully paid ordinary voting shares with a par value of VND 10,000 per share.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

15.3 Shares

	Current year	Previous year
	Shares	Shares
Shares authorised to be issued	2,000,000	700,000
Shares issued and fully paid	2,000,000	700,000
Ordinary shares	2,000,000	700,000
Preference shares		
Outstanding shares	2,000,000	700,000
Ordinary shares	2,000,000	700,000
Preference shares	-	-

16 REVENUES FROM SALES OF GOODS

	Current year	Current year
	VND	Rs.Crore
Gross revenue	86,307,126,100	19.79
Less		
Trade discounts	(575,584,841)	(0.13)
Sales returns	(83,709,830)	(0.02)
Net revenue	85,647,831,429	19.64

17 FINANCE INCOME

	Current year	Current year
	VND	Rs.Crore
Interest income	789,890,831	0.18
Foreign exchange gains	793,675,173	0.18
TOTAL	1,583,566,004	0.36

18 FINANCE EXPENSES

Expenses from financial activities are mainly foreign exchange losses during the year.

19 PRODUCTION AND OPERATING COSTS

	Current year	Current year
	VND	Rs.Crore
Raw materials	20,445,474,889	4.69
Labour costs	37,344,650,513	8.56
Depreciation expenses (Note 8, 9)	307,816,118	0.07
Expenses for external services	21,688,167,144	4.97
Other expenses	463,446,418	0.11
TOTAL	80,249,555,082	18.40

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

20 CORPORATE INCOME TAX (“CIT”)

The Company has the obligation to pay CIT at the rate of 25% of taxable profits.

The tax returns filed by Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

20.1 Current CIT

	Current year VND	Current year Rs.Crore
CIT for the current year	(1,871,912,580)	(0.43)
Adjustment for over accrual of tax from prior years	219,452,540	0.05
TOTAL	(1,652,460,040)	(0.38)

20.2 Current CIT

The current tax payable is based on taxable profit for the year. The taxable profit of the Company for the year differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

A reconciliation between the profit before tax and taxable profit is presented below:

	Current year VND	Current year Rs.Crore
Net accounting profit before tax	6,257,910,533	1.43
Adjustments to increase/(decrease) accounting profit		
Advertising expenses exceeding the deductible cap	904,244,453	0.21
Change in accrued expenses	(404,204,696)	(0.09)
Change in provision for severance allowance	(30,806,750)	(0.01)
Change in provision for obsolete inventories	(144,257,948)	(0.03)
Non-deductible expenses	904,764,730	0.21
Accrued interest income	–	–
Unrealised foreign exchange gain	–	–
Adjusted net profit before tax loss carry forward	7,487,650,322	1.72
Tax loss carried forward	–	–
Estimated current taxable profit	7,487,650,322	1.72
Estimated Current CIT	1,871,912,580	0.43
CIT reduction in accordance with Circular 03/2010/TT-BTC (30%)	–	–
Net current CIT	1,871,912,580	0.43
CIT payable at beginning of year	1,383,649,984	0.32
Adjustment for over accrual of tax from prior years	(219,452,540)	(0.05)
CIT paid during the year	(1,517,244,674)	(0.35)
CIT payable at the end of year	1,518,865,350	0.35

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

20.3 Deferred CIT

The following are the deferred tax assets and liabilities recognised by the Company, and the movements thereon, during the current and prior reporting year.

	Balance sheet		Credit (charge) to Income statement	
	Current year	Current year	Current year	Current year
	VND	Rs.Crore	VND	Rs.Crore
Change in accrued expense	–	–	(101,051,174)	(0.02)
Unrealised foreign exchange gain	–	–	21,279,861	0.00
Accrued interest income	–	–	(36,064,487)	(0.01)
Provision for obsolete inventories	–	–		–
Change in severance allowance	151,949,688	0.03	(7,701,688)	(0.00)
TOTAL	151,949,688	0.03	(123,537,488)	(0.03)

21 TRANSACTIONS WITH RELATED PARTIES

Significant transactions with a related party during the year were as follows:

Related parties	Relationship	Transactions	VND	Rs. Crore
			Amounts	Amounts
International Consumer Products Corporation	Parent company	Sales of goods	3,368,272,403	0.77
		Sales return from ICP	1,514,846,880	0.35
		Purchase of goods	1,976,544,353	0.45
		Sales return from BCS	31,392,408	0.01
		Loan repayment	23,000,000,000	5.27
		Payment on behalf	52,460,500	0.01

22 OPERATING LEASE COMMITMENTS

The Company leases office premises, showrooms and warehouses under operating leases. The minimum lease commitment as at 31 December, 2010 under the operating lease is as follows:

	VND	Rs. Crore
	Current year	Current year
Within one year	7,431,290,672	1.70
More than one year to five years	19,848,278,139	4.55
More than five years	1,181,356,800	0.27
TOTAL	28,460,925,612	6.53

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2010

23 EVENTS AFTER THE BALANCE SHEET DATE

On 7 January 2011, the parent company's shareholders approved a plan to sell an aggregate of 9,535,495 existing ordinary shares or equivalent to 85% of the parent company's ordinary shares to Marico Limited ("Marico"). The transfer of the shares was effected on 18 February 2011 as the Completion Date. The terms of the final agreement are included in the Share Sales and Purchase Agreement dated 7 January 2011. Marico is a leading Indian group providing consumer products and services and is listed on the Indian Stock Exchange.

There has not been any other matter or circumstance that has arisen since the balance date that has affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent periods.

Nguyen Van Chin
Chief Accountant

14 April 2011

Pham Thi My Hanh
General Director

THUAN PHAT FOODSTUFF JOINT STOCK COMPANY

Board of Directors

Vijay Subramaniam

Phan Quoc Cong

Harshraj C. Mariwala

Milind S. Sarwate

Chaitanya J. Deshpande

Registered Office

39 B Hai Au Building,
Truong Son Street, Ward 4,
Tan Binh District,
Ho Chi Minh City, Vietnam

Factory

Lot D2, Street 7A, Le Minh Xuan
Industrial Zone, Tan Nhut Commune,
Binh Chanh District,
Ho Chi Minh City, Vietnam

Street 30/4, Duong Dong
Funal ward, Phu Quoc District,
Kien Giang Province, Vietnam

Auditors

Ernst & Young Vietnam Ltd.

Bankers

Vietcombank (VCB)

HSBC

Asia Commercial Bank (ACB)

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Thuan Phat Joint Stock Company (“the Company”) is pleased to present its report and the Company’s financial statements as at and for the year ended 31 December, 2010

THE COMPANY

The Company is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No.4103006767 issued by the Department of Planning and Investment of Ho Chi Minh City on 18 May 2007 and the following Amended Business Registration Certificates:

<u>Amended Business Registration Certificates No.</u>	<u>Date</u>
4103006767- 1 st amendment	23 January, 2009
4103006767- 2 nd amendment	18 June, 2009
4103006767- 3 rd amendment	30 November, 2009
4103006767- 4 th amendment	18 January, 2010
4103006767- 5 th amendment	27 January, 2010

<u>Joint Stock Enterprise Registration Certificate No.</u>	<u>Date</u>
0304979919 - 6 th amendment	3 November, 2010

The Company’s principal activities are to manufacture, process and trade in food products and materials.

In accordance with the Joint Stock Enterprise Registration Certificate No. 0304979919, the Department of Planning and Investment of Ho Chi Minh City, on 3 November 2010, approved the incorporation of the Company’s branch. The branch is located at Lot D2, 7A Street, Tan Nhut Ward, Le Minh Xuan Industrial Park, Binh Chanh District, Ho Chi Minh City, Vietnam.

The Company’s head office is located at 7th Floor, Hai Au Building, 39 B Truong Son Street, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam.

SIGNIFICANT EVENTS

On 18 January, 2010 the Company’s original charter capital has been increased from VND 30,000,000,000 to VND 31,400,000,000 which has been fully contributed as at 31 December 2010 in accordance with the Amended Business Registration Certificate No. 4103006767 dated 18 January, 2010 approved by the Department of Planning and Investment of Ho Chi Minh City. The approved charter capital of VND 31,400,000,000 was divided in to 3,140,000 fully paid ordinary voting shares with a par value of VND 10000 per share.

On 7 January 2011, the parent company’s shareholders approved a plan to sell an aggregate of 9,535,495 existing ordinary shares or equivalent to 85% of the parent company’s ordinary shares to Marico Limited (“Marico”). The transfer of shares was effected on 18 February, 2011 as the Completion Date. The terms of the final agreement are included in the Share Sales and Purchase Agreement dated 7 January 2011. Marico is a leading Indian group providing consumer products and services and is listed on the Indian Stock Exchange.

THE BOARD OF MANAGEMENT

The members of the Board of Management during the year and at the date of this report are:

Mr Phan Quoc Cong	Chairman
Mr Le Quang Hanh	Member
Mr Nguyen Cong Hai	Member

AUDITORS

The auditors of the Company is Ernst & Young Vietnam Limited.

REPORT OF THE BOARD OF MANAGEMENT

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of its results and cash flows for the year. In preparing those financial statements, the Company's management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statement ; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Management has confirmed to the Board of Management that the Company has complied with the above requirements in preparing the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with relevant statutory requirements.

On behalf of the Board of Management

Mr. Phan Quoc Cong

Chairman

14 April 2011

INDEPENDENT AUDITORS' REPORT

To,

The Shareholders of Thuan Phat Foodstuff Joint Stock Company

We have audited the balance sheet of Thuan Phat Foodstuff Joint Stock Company ("the Company") as at 31 December 2010, and the income statement and cash flow statement for the year then ended and the notes thereto as set out on pages 4 to 20 (collectively referred to as "the 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.

Basis of opinion

We conducted our audit in accordance with Vietnamese and International Standards on Auditing applicable in Vietnam. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the Company's management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2010 and of the results of its operations and the cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with statutory requirements.

Earnest & Young Vietnam Limited

Maria Cristina M. Calimbas

Deputy General Director

Registered Auditor

Certificate No. N.1073/KTV

Ho Chi Minh City, Vietnam

14 April 2011

Bui Xuan Vinh

Auditor-in-charge

Registered Auditor

BALANCE SHEET

As at 31 December 2010

ASSETS	Notes	VND	Rs. Crore
		Ending balance	Ending balance
A. CURRENT ASSETS		23,738,007,838	5.44
I. Cash	4	529,092,667	0.12
II. Current accounts receivables		2,433,383,248	
Trade receivables		974,970,932	0.56
Advances to suppliers		168,906,002	0.22
Other receivables	5	1,289,506,314	0.04
Provision for doubtful debts		–	0.30
III. Inventories	6	20,163,899,756	–
Inventories		20,299,128,456	4.62
Provision for inventories		(135,228,700)	4.65
IV. Other current assets		611,632,167	(0.03)
Short-term prepaid expenses		406,098,368	0.14
Value added tax deductible		–	0.09
Taxes receivables	17	56,473,862	–
Other current assets		149,059,937	0.01
B. NON-CURRENT ASSETS		37,086,574,058	0.03
I Fixed assets		35,709,786,018	8.50
1. Tangible fixed assets	7	13,095,695,351	8.19
Cost		18,178,092,459	3.00
Accumulated depreciation		(5,082,397,108)	4.17
2. Intangible fixed assets	8	22,614,090,667	(1.17)
Cost		23,235,918,817	5.19
Accumulated amortisation		(621,828,150)	5.33
3. Construction in progress		–	(0.14)
II. Other long-term assets		1,376,788,040	0.32
1. Long-term prepaid expenses		1,376,788,040	0.32
TOTAL ASSETS		60,824,581,896	13.95

Nguyen Chi Thanh
Chief Accountant

14 April 2011

Le Quang Hanh
General Director

BALANCE SHEET (CONTD.)

As at 31 December 2010

RESOURCES	Notes	VND	Rs. Crore
		Ending balance	Ending balance
A. LIABILITIES		25,681,660,447	5.89
I Current liabilities		25,263,699,994	5.79
1. Short-term loans	9	5,671,703,413	1.30
2. Trade payables		6,742,620,125	1.55
3. Advances from customers	10	12,195,132,807	2.80
4. Statutory obligations		245,877,516	0.06
5. Payables to employees		-	-
6. Accrued expenses		406,333,850	0.09
7. Other payables		2,032,283	0.00
II. Non-current liabilities		417,960,453	0.10
1. Long-term loans		-	-
2. Provision for severance allowance		417,960,453	0.10
B. OWNERS' EQUITY		35,142,921,449	8.06
Capital	11	35,142,921,449	8.06
1. Share capital		31,400,000,000	7.20
2. Undistributed earnings		3,742,921,449	0.86
TOTAL LIABILITIES AND OWNERS' EQUITY		60,824,581,896	13.95
OWNERS' EQUITY		60,824,581,896	85,398,815,193
OFF BALANCE SHEET ITEM			
ITEM		Ending balance	Beginning balance
Foreign currency			
- United states dollar (US\$)		8,086	0.00

Nguyen Chi Thanh
Chief Accountant

14 April 2011

Le Quang Hanh
General Director

INCOME STATEMENT

for the year ended 31 December 2010

		VND	Rs. Crore
	Notes	Current year	Current year
Revenue from sale of goods	12	77,003,496,863	17.66
Deductions	12	(1,780,922,423)	(0.41)
Net revenue from sale of goods	12	75,222,574,440	17.25
Cost of goods sold	16	(65,406,477,578)	(15.00)
Gross profit from sale of goods		9,816,096,862	2.25
Finance income	13	202,061,500	0.05
Finance expenses	14	(1,665,110,697)	(0.38)
In which: Interest expense		(1,655,369,474)	(0.38)
Selling expenses	16	(7,434,256,098)	(1.70)
General and administrative expenses	16	(6,658,626,471)	(1.53)
Operating (loss) profit		(5,739,834,904)	(1.32)
11. Other income	15	4,632,927,248	1.06
Other expenses	15	(789,650,550)	(0.18)
Other profit (loss)	15	3,843,276,698	0.88
(Loss) profit before tax		(1,896,558,206)	(0.43)
Current corporate income tax expenses	17	(275,130,747)	(0.06)
Net (loss) profit after tax		<u>(2,171,688,953)</u>	<u>(0.50)</u>

CASH FLOW STATEMENT

as at and for the year ended 31 December 2010

ITEMS	Notes	VND	Rs. Crore
		Current year	Current year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(1,896,558,206)	(0.43)
Adjustments for:			
Depreciation and amortisation	7,8	2,315,617,135	0.53
Provisions		(190,430,090)	(0.04)
Unrealised foreign exchange gains			-
(Profits) loss from investing activities		(141,308,065)	(0.03)
Interest expense	14	1,655,369,474	0.38
Operating income before changes in working capital		1,742,690,248	0.40
Decrease (increase) in receivables		23,563,897,498	5.40
Decrease (increase) in inventories		1,206,271,487	0.28
(Decrease) increase in payables		(2,874,247,757)	(0.66)
Increase in prepaid expenses		(350,188,617)	(0.08)
Interest paid		(1,763,841,256)	(0.40)
Corporate income tax paid	17	(56,473,862)	(0.01)
Net cash flows from operating activities		21,468,107,741	4.92
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(2,065,524,177)	(0.47)
Proceeds from disposals of fixed assets	15	300,909,091	0.07
Interest received		48,836,453	0.01
Net cash flows used in investing activities		(1,715,778,633)	(0.39)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Share issued		-	-
Drawdown of borrowings		8,395,866,826	1.93
Repayment of borrowings		(27,924,163,413)	(6.40)
Dividends paid		-	-
Net cash flows (used in) from financing activities		(19,528,296,587)	(4.48)
Net increase in cash		224,032,521	0.05
Cash at beginning of year		305,060,146	0.07
Cash at end of year	4	<u>529,092,667</u>	<u>0.12</u>

Nguyen Chi Thanh

Chief Accountant

14 April 2011

Le Quang Hanh

General Director

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 Marc., 2011

1 CORPORATE INFORMATION

Thuan Phat Foodstuff Joint Stock Company (“ the Company”) is a joint srock company incorporated under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 4103006767 issued by the Department of Planning and Investment of Ho Chi Minh City on 18 May 2007 and the following Amended Business Registration Certificates:

Amended Business Registration Certificates No.	Date
4103006767- 1S’ amendment	23 January 2009
4103006767-2 na amendment	18 June 2009
4103006767-3 r” amendment	30 November 2009
4103006767-4 th amendment	18 January 2010
4103006767-5 1h amendment	27 January 2010
Joint Stock Enterprise Registration Certificate No.	Date
0304979919 6 th amendment	3 November 2010

The principal activities of the Company are to manufacture, process and trade in food products and materials.

The Company’s head office is located at 7th Floor, Hai Au Building, 39 B Truong Son Street, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam

In accordance with the Joint Stock Enterprise Registration Certificate No. 0304979919, the Department of Planning and Investment of Ho Chi Minh City, on 3 November 2010, approved the incorporation of the Company’s branch. The branch is located at Lot D2, 7A Street, Tan Nhut Ward, Le Minh Xuan Industrial Park, Binh Chanh District, Ho Chi Minh City, Vietnam. The number of the Company’s employees as at 31 December 2010 was 165 persons (31 December 2009: 202 persons).

2 BASIS OF PREPARATION

2.1 Accounting standards and system

The financial statements of the Company, expressed in Vietnam dong (“VND”), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards (“VAS” issued by the Ministry of Finance as per the:

- Decision No. 149/2001/QD-BTC dated 31 December, 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting(Series 1);
- Decision No.165/2002/QD-BTC dated 31 December, 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December , 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 Februrary 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

Accordingly, the accompanying balance sheet, income statement, cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam’s accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam. On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009IT-T-BTC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments. The adoption of the circular will require further disclosures and have impact on the presentation of certain financial instruments in the financial statements. The circular will become effective for financial years beginning on or after 1 January 2011. The Company's management is currently assessing the impact of adopting the circular on the future financial statements of the Company

2.2 Registered accounting documentation system

The registered accounting documentation system is the General Journal system.

2.3 Financial year

The Company's fiscal year starts on 1 January and ends on 31 December.

2.4 Accounting currency

The Company maintains its accounting records in VND.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash

Cash comprises cash on hand and cash in banks.

3.2 Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Raw materials, consumables and goods for resale – cost of purchase on a weighted average basis.

Finished goods and work-in-process – cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventories provision is created for the estimated loss arising due to the impairment (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

3.3 Receivables

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, along with the provision for doubtful debts.

The provision for doubtful debts represents the estimated loss due to non-payment arising on receivables that were outstanding at the balance sheet date. Increases and decreases to the provision balance are recorded as general and administrative expense in the income statement.

3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 March, 2011

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use. Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, their costs and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.5 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

Land use rights

Land use rights relate to the land located in Le Minh Xuan Industrial Zone, Binh Chanh District, Ho Chi Minh City, Vietnam which the Company occupies under an agreement expiring in straight-line basis over the life of the agreement. In addition, the Company has owned the indefinite land use rights of lands in Phu Quoc District, Kien Giang Province with indefinite duration which are not amortised in accordance with prevailing regulations.

3.6 Depreciation and amortisation

Depreciation and amortisation of tangible fixed assets and intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	22 - 25 years
Machinery and equipment	3-10 years
Means of transportation	5-6 years
Office equipment	3-4 years
Land use rights	40 years

3.7 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recorded as expense during the year in which they are incurred.

3.8 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3.9 Accrual for severance allowance

The severance pay to employee is accrued at the end of each reporting year for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting year following the average monthly salary of the 6-month period up to the reporting date. Any changes to the accrued amount will be taken to the income statement.

From 1 January 2009, the Company pays unemployment insurance in accordance with Decree No.127/2008/ND-CP dated 12 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

3.10 Foreign currency transactions

The Company follows the guidance under VAS 10 “The Effects of Changes in Exchange Rates” (the WAS 10”) in relation to foreign currency transactions as applied consistently in prior years.

Transactions in currencies other than the Company’s reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at inter- bank exchange rates ruling at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the income statement.

The above guidance related to unrealized foreign exchange differences provided by VAS 10 is different from those stipulated in the Circular No. 201/2009/TT-BTC issued by the Ministry of Finance on 15 October 2009 providing guidance for the treatment of foreign exchange differences (“Circular 201”) as follows:

Transaction	VAS 10	Circular 201
Translation of short- All unrealised foreign exchange term monetary assets exchange and liabilities denominated in foreign currencies	All unrealised foreign exchange differences are to be taken to income statement	All unrealised foreign exchange Differences are taken to the “Foreign exchange difference reserve” account in the equity section of the balance sheet and will be reserved on the following year

However, the impact to the financial statements had the Company adopted the Circular 201 for the year ended 31 December 2010 was not material as a whole.

3.11 Appropriation of net profits

Net profit after tax is available for appropriation to investors as proposed by the Board of Management and subject to approval by shareholders at the Annual General Meeting, after making appropriation to reserve funds in accordance with the Company’s Charter and Vietnamese regulatory requirements.

3.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

3.13 Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted by the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2010

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purpose.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carried forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carried forward of unused tax credit and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity and the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

4 CASH	VND	Rs. Crore
	Ending balance	Ending balance
Cash on hand	1,376,225	0.00
Cash in banks	527,716,442	0.12
TOTAL	529,092,667	0.12
OTHER RECEIVABLES	Ending balance	Ending balance
Related party	–	–
Third parties	1,289,506,314	0.30
TOTAL	1,289,506,314	0.30
6 INVENTORIES	VND	Rs. Crore
	Ending balance	Ending balance
Raw materials	9,793,283,727	2.25
Work in process	9,601,436,497	2.20
Finished goods	904,408,232	0.21
Tools & supplies	–	–
TOTAL	20,299,128,456	4.65

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

7 TANGIBLE FIXED ASSETS

					VND
	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	6,061,703,729	92,457,423,882	1,005,607,698	268,487,194	16,793,222,503
Addition	98,911,750	1,609,227,082	100,000,000	33,300,000	1,841,438,832
Disposal			(456,568,876)	–	(456,568,876)
Ending balance	6,160,615,479	11,066,650,964	649,038,822	301,787,194	18,178,092,459
Accumulated depreciation:					
Beginning balance	(594,848,854)	(2,018,341,666)	(432,440,820)	(197,876,180)	(3,243,507,520)
Depreciation charge for the year	(321,573,671)	(1,554,785,740)	(144,656,595)	(66,004,979)	(2,087,020,985)
Disposal	–	–	248,131,397	–	248,131,397
Ending balance	(916,422,525)	(3,573,127,406)	(328,966,018)	(263,881,159)	(5,082,397,108)
Net carrying amount:					
Beginning balance	5,469,623,674	7,421,317,073	573,314,746	85,459,490	13,549,714,983
Ending balance	5,244,192,954	7,493,523,558	320,072,804	37,906,035	13,095,695,351

					Rs. Crore
	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	1.39	2.17	0.23	0.06	3.85
Addition	0.02	0.37	0.02	0.01	0.42
Disposal	–	–	(0.10)	–	(0.10)
Ending balance	1.41	2.54	0.15	0.07	4.17
Accumulated depreciation:					
Beginning balance	(0.14)	(0.46)	(0.10)	(0.05)	(0.74)
Depreciation charge for the year	(0.07)	(0.36)	(0.03)	(0.02)	(0.48)
Disposal	–	–	0.06	–	0.06
Ending balance	(0.21)	(0.82)	(0.08)	(0.06)	(1.17)
Net carrying amount:					
Beginning balance	1.25	1.71	0.13	0.02	3.11
Ending balance	1.20	1.72	0.07	0.01	3.00

8 INTANGIBLE FIXED ASSETS

	Land use rights	Others	Total	Land use rights	Others	Total
Cost:	VND	VND	VND	Rs.Crore	Rs.Crore	Rs.Crore
Beginning balance	22,467,601,000	–	22,467,601,000	5.15	–	5.15
Additions	47,500,000	720,817,817	768,317,817	0.01	0.17	0.18
Ending balance	22,515,101,000	720,817,817	23,235,918,817	5.16	0.17	5.33
Accumulated amortisation:						
Beginning balance	(393,232,000)	–	-393,232,000	(0.09)	–	(0.09)
Amortisation for the year	(168,528,000)	-60,068,150	(228,596,150)	(0.04)	(0.01)	(0.05)
Ending balance	(561,760,000)	-60,068,150	(621,828,150)	(0.13)	(0.01)	(0.14)
Net carrying amount:						
Beginning balance	22,074,369,000	–	22,074,369,000	5.06	–	5.06
Ending balance	21,953,341,000	660,749,667	22,614,090,667	5.03	0.15	5.19

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

9 SHORT-TERM LOANS

Short-term loans represent the unsecured loans from HSBC Bank (Vietnam) Ltd. to finance the Company's working capital. The details of short-term loans are as follows:

Loan contracts	Ending balance VND	Ending balance Rs.Crore	Interest rate (per annual)	Duration
Contract No. CILVNMO11072	3,478,272,754	0.80	18.50%	90 days from 25 October 2010
Contract No. CILVNMO10671	1,227,834,019	0.28	17.50%	90 days from 13 October 2010
Contract No. CILVNM011682	965,596,640	0.22	17.50%	90 days from 5 November 2010
TOTAL	5,671,703,413	1.30		

10 ADVANCE FROM CUSTOMERS

	VND Ending balance	Rs. Crore Ending balance
Related party (Note 18)	12,190,132,807	2.80
Third parties	5,000,000	0.00
TOTAL	12,195,132,807	2.80

11 OWNERS' EQUITY

11.1 Increase and decrease in owner's equity

	Share capital earnings VND	Undistributed earnings VND	Total VND	Share capital Rs.crore	Undistri-buted Rs.crore	Total Rs.crore
Current year:						
Beginning balance	31,400,000,000	5,914,610,402	37,314,610,402	7.20	1.36	8.56
Net losses for the year	(2,171,688,953)	(2,171,688,953)	-	(0.50)	(0.50)	
Ending balance	31,400,000,000	3,742,921,449	35,142,921,449	7.20	0.86	8.06

On 18 January 2010, the Company's original charter capital has been increased from VND 3000000000 to VND 31400000000 which has been fully contributed as at 31 December 2010 in accordance with the Amended Business Registration Certificate No. 4103006767 dated 18 January 2010 approved by the Department of Planning and Investment of Ho Chi Minh City. The approved charter capital of VND 31,400,000,000 was divided into 3,140,000 fully paid ordinary voting shares with a par value of VND 10,000 per divided into 3,140,000 fully paid ordinary voting shares with a par value of VND 10,000 per shares

11.2 Details of owners' equity

	Share capital Amount VND		Contributed share capital VND	Share capital Amount Rs.crore		Contributed share capital Rs.crore
International Consumer Products Corporation	26,671,610,000	84.94	26,671,610,000	6.12	84.94	6.12
Nguyen Anh Tuan	1,208,100,000	3.85	1,208,100,000	0.28	3.85	0.28
Pham Duy Hung	490,000,000	1.56	490,000,000	0.11	1.56	0.11
Nguyen Xuan Hai	245,000,000	0.78	245,000,000	0.06	0.78	0.06
Others	2,785,290,000	8.87	2,785,290,000	0.64	8.87	0.64
TOTAL	31,400,000,000	100	31,400,000,000	7.20	100.00	7.20

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

11.3 Shares

	Current year Shares
Shares authorised to be issued	3,140,000
Shares issued and fully paid	3,140,000
Ordinary shares	3,140,000
Preference shares	0
Outstanding shares	3,140,000
Ordinary shares	3,140,000
Preference shares	0

12 REVENUES FROM SALE OF GOODS

	VND	Rs. Crore
	Current year	Current yea
Gross revenue	77,003,496,863	17.66
Of which:		
Sale of goods	77,003, 496, 863	17.66
Less: Deductions	(1,780, 922,423)	(0.41)
Of which:		
Trade discounts	(270,681)	(0.00)
Sales allowances		-
Sales returns	(1,780, 651, 742)	(0.41)
Net revenue	75,222,574,440	17.25

13 FINANCE INCOME

	VND	Rs. Crore
	Current year	Current yea
Interest income	48,836,453	0.01
Realized foreign exchange gain	153,225,047	0.04
Unrealized foreign exchange gain	-	-
TOTAL	202,061,500	0.05

14 FINANCE EXPENSES

	VND	Rs. Crore
	Current year	Current yea
Interest expense	1,655,369,474	0.38
Realized foreign exchange losses	8,844,324	0.00
Others	896899	0.00
TOTAL	1665110697	0.38

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

15 OTHER INCOME AND OTHER EXPENSES

	VND	Rs. Crore
	Current year	Current year
Other income	4,632,927,248	1.06
Reversal of prior year accruals	4,110,088,758	0.94
Proceed from disposed assets	300,909,091	0.07
Others	221,929,399	0.05
Other expenses	(789,650,550)	(0.18)
Tax penalty	(314,106,191)	(0.07)
Net book value of disposed assets	(208,437,479)	(0.05)
Damaged materials and finished goods	(134,319,526)	(0.03)
Others	(132,787,354)	(0.03)
NET OTHER PROFIT (LOSS)	3,843,276,698	0.88

16 PRODUCTION AND OPERATING COSTS

VND

	VND	Rs. Crore
	Current year	Current year
Raw materials	56,060,529,064	12.85
Labour costs	9,727,230,635	2.23
Depreciation and amortization (Notes 7 and 8)	2,315,617,135	0.53
External services	1,104,445,397	0.25
Others	10,291,537,916	2.36
TOTAL	79,499,360,147	67,007,201,750

17 CORPORATE INCOME TAX

On 31 December 2008, the Company received Investment Certificate No.41221000171 issued by the Ho Chi Minh City Export Processing and Industrial Zones Authority ("HEPZA"). Accordingly, the Company is entitled to an exemption from corporate income tax ("CIT") for two (2) years commencing from the first year in which a taxable profit is earned, and a 50% reduction of the applicable CIT tax rate for the following two (2) years. The applicable tax rate after tax incentive periods is recognised in 2010 as the Company is under full exemption period.

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations too many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

Current CIT

Tax profit (loss) differs from profit (loss) as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

Reconciliation between the tax expense and the product of accounting profit (loss) multiplied by the applicable tax rate for the year is presented below:

	VND			
	Registered activities under Business		Other activities	Total
	Registration Certificate			
(Loss) profit before tax	(5,739,834,904)	3,843,276,698	(1,896,558,206)	6,358,073,877
Adjustments for accounting profit				
Non-deductible expenses	819,516,572	581,213,707	1,400,729.64	386,885,943
Change in provision for termination allowance	(992,182,050)	–	(992,182,050)	209,045,03
Net unrealized foreign exchange gains	(461,158,067)	–	(461,158)	(129,815,321)
Change in accrued expenses	(400,310,19)	–	(40,031,019)	(309,416,560)
Estimated taxable (loss) profit	(641,368,946)	4,424,489,769	(1,989,199,699)	6,326,632,442
Estimated Current CIT			–	83,486,326
CIT reduction under Circular No. 03/2009/TT-BTC			–	(25,045,898)
Estimated Current CIT after reduction			–	58,440,428
Under accrual for CIT expense of previous years			275,130,747	–
CIT overpaid at beginning of year			(275,130,747)	(110,131)
CIT paid during the year			(56,473,862)	(223,440,272)
CIT overpaid at end of year			(56,473,862)	(275,130,747)

	Current year		
	Registered activities under Business		Total
	Registration Certificate	Other activities	
(Loss) profit before tax	(1.32)	0.88	(0.43)
Adjustments for accounting profit			
Non-deductible expenses	0.19	0.13	0.32
Change in provision for termination allowance	(0.23)	–	(0.23)
Net unrealized foreign exchange gains	(0.11)	–	(0.11)
Change in accrued expenses	(0.01)	–	(0.01)
Estimated taxable (loss) profit	(1.47)	1.01	(0.46)
Estimated Current CIT			–
CIT reduction under Circular No. 03/2009/TT-BTC			–
Estimated Current CIT after reduction			–
Under accrual for CIT expense of previous years			0.06
CIT overpaid at beginning of year			(0.06)
CIT paid during the year			(0.01)
CIT overpaid at end of year			(0.01)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Mar., 2010

18 TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related party during the year were as follows:

<i>Related company</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Amounts</i>	
			VND	Rs.Crore
International Consumer Products Corporation	Parent company	Sale of goods	67,898,007,482	15.57
		Purchase of goods	57,552,251	0.01
		Sale return	1,773,215,465	0.41
		Payment on behalf	358,832,251	0.08

Amounts due to a related party at the balance sheet date were as follows:

<i>Related company</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Amount</i>	
			(VND)	Rs.Crore
Advance from customer				
International Consumer Products Corporation	Parent company	Advance for purchase of goods	(12,190,132,807)	(2.80)

19 EVENTS AFTER THE BALANCE SHEET DATE

On 7 January 2011, the parent company's shareholders approved a plan to sell an aggregate of 9,535,495 existing ordinary shares or equivalent to 85% of the Company's ordinary shares to Marico Limited ("Marico"). The transfer of the shares was effected on 18 February 2011 as the Completion Date. The terms of the final agreement are included in the Share Sales and Purchase Agreement dated 7 January 2011. Marico is a leading Indian group providing consumer products and services and is listed on the Indian Stock Exchange.

There has not been any other matter or circumstance that has arisen since the balance date that has affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent periods.

Nguyen Chi Thanh
Chief Accountant

Le Quang Hanh
General Director

14 April 2011

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