



marico

ANNUAL REPORT
2011-12

BEMORE.
EVERYDAY.

SUBSIDIARIES' FINANCIALS

INDEX

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MARICO BANGLADESH LIMITED

Board of Directors	Harsh Mariwala Milind Sarwate Vijay Subramaniam Debashish Neogi Rohit Jaiswal Ghulam Mostafa Rupali Chowdhury
Registered & Corporate Office	House-1, Road-1, Sector-1, Uttara, Dhaka-1230, Bangladesh
Company Reg Number	C-38527(485)/99
Place of Incorporation	Dhaka
Date of Incorporation	September 6, 1999
Audit Committee	Rupali Chowdhury Vijay subramaniam Debashish Neogi
Chief Financial Officer	Aditya Ajit Kumar Shome
Head of Internal Audit	K.S. Balaji
Company Secretary	Sorwar Alam
Factory	Factory 1: Mouchak, Kaliakoir, Gazipur Factory 2: Sirirchala, Mahona, Bobanipur, Gazipur
Depots	Dhaka Depot: Tongi, Dhaka Chittagong Depot: Hathazari, Chittagong Comilla Depot: Ashrafpur, Comilla Jessore Depot: Loan Office Para, Jessore Bogra Depot: Bakshibazar Road, Bogra
Auditors	FY12 Rahman Rahman Huq Proposed for FY13 M/s. A. Qasem & Co, Chartered Accountants GulshanPinkCity, Suites-01-03, Level-7, Plot-15, Road-103, Gushan-2, Dhaka
Principal Bankers	Citibank N.A., Standard Chartered Bank, HSBC Commercial Bank of Cylon
Legal Advisors	Corporate Counsel Suite-802, Rahat Tower (7th Floor), 14, Biponon C/A, West Banglamotor, Dhaka-1000
Share Listing	The Dhaka Stock Exchange Ltd. The Chittagong Stock Exchange Ltd.
Websites	www.maricobd.com www.marico.com www.saffolalife.com

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

We have completed a rather challenging year for FMCG companies including Marico Bangladesh. The year ended March 31, 2012 (FY'12) witnessed high inflation, particularly food inflation, unprecedented cost push especially in one of your company's key input materials - copra, a rise in interest rates and devaluation of taka against the US dollar. In addition, political uncertainty and economic instability resulted in a severe liquidity crunch and shrinkage in Forex reserves of Bangladesh, which in turn adversely impacted the general business environment within the country.

Notwithstanding the challenges for the year, your company turned in a good performance. Your company registered a business growth of 11% over the previous financial year. During the year however, a change in accounting practice covering depot VAT operations from truncated VAT to MOD-VAT, has led to a marginal decline of 1% in turnover over the previous year being reported. The acute cost push resulted in EBDITA margins declining by about 600 basis points as compared to corresponding period. Consequently, Earnings per Share (EPS) dropped from Tk. 24.46 in corresponding period to Tk. 17 in FY'12.

Your company's flagship brand Parachute maintained its clear leadership position and I believe with its loyal consumer franchise, Parachute is now amongst the top five leading brands in the country. At the same time, in the hair dye segment, Hair Code has now become a market leader with significant market share. In order to create future growth engines, your company had launched Value Added Hair Oils in select segments through its focused approach. During FY'12, your company witnessed significant market share gain in these. Our conviction in the long term potential of your business in Bangladesh continues to be strong. Your company continues to invest in infrastructure to support future growth. During the year, it made strategic investments in distribution by setting up new depot. It is also augmenting production capacity by establishing a new factory.

The strong foundation that has enabled us to realize success in the past will help us in preparing for the future. We remain committed to generating long term value for our investors through superior value propositions to consumers, widening our distribution reach, excellence in operations, innovative technology and continued efforts in brand building.

The road ahead is promising and I am sure you share my excitement about the future. Thank you for placing faith in the company. I also wish to thank all members of the Marico team and all our business associates for their contribution to Marico Bangladesh's success. I look forward to your continued support and co-operation.

With warm regards,

Harsh Mariwala

Chairman

CORPORATE GOVERNANCE REPORT

Marico Bangladesh Limited (MBL) 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, 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. Aditya Shome as Chief Financial Officer, Mr. Balaji K.S. as Head of Internal Audit and Mr. Sorwar Alam 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:

Till to 12th Annual General Meeting (AGM) to be held on July 19, 2012, M/s. Rahman Rahman Huq is acting as statutory auditors. They are not involved with any other services of the company in the period. As per Securities & Exchange Commissioner (SEC) notification No.SEC/CMRRCD/2009-193/104/Admin dated on July 27, 2011; every publicly listed company shall not appoint any firm of chartered accountants as its statutory auditors for a consecutive period exceeding three years. Therefore, the board of directors has proposed M/s. A. Qasem & Co. to engage as statutory auditors (subject to approval at the 12th Annual General Meeting to be held on July 19, 2012 by members of the company) up to 13th Annual General Meeting to be held on 2013.

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

Condition No.	Title	Compliance Status	Explanation for Non Compliance with the Condition
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 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	

Board Meetings

The Board met fourtimes after last Annual General Meeting. The Company Secretary was present in the Board Meetings. The attendance by each Director is mentioned below:-

Names of Directors	No. of Board Meetings	
	Held	Attendance
Mr. Harsh Mariwala	4	1
Mr. Milind Sarwate	4	0
Mr. Vijay Subramaniam	4	3
Mr. Debashish Neogi	4	0
Mr. Rohit Jaiswal	4	4
Mr. Ghulam Mostafa	4	4
Mrs. Rupali Chowdhury	4	4

CORPORATE GOVERNANCE COMPLIANCE REPORT

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 reconstituted 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

The Company Secretary acts as the secretary to the Audit 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 Ernst & Young, India a Chartered Accountants 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 has not met during the year for any meeting.

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

Mr. Ghulam Mostafa

Mr. Mostafa is the Managing Director of Kallol Group of Companies. Kallol group of companies now represents leading FMCG brands such as Cadbury, Kellogg, and internationally renowned brands of watches and writing instruments. Mr. Mostafa has been awarded the status of CIP for three times. He has also been twice honored by the National Board of Revenue as the highest VAT payer in business category.

Mrs. Rupali Chowdhury

Mrs. Chowdhury is the Managing Director of Berger Paints Bangladesh Limited. She brings with her a rich experience of managing various functions at Berger Paints. She is a Member of the Executive Committee of Foreign Investors' Chamber of Commerce & Industry (FICCI). She is also a Member of the Holiday Sub Committee of Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) and a Member of the Labour Law Sub-Committee of Bangladesh Employers' Federation (BEF). She has received several prestigious awards for her contribution in the areas of management and business in Bangladesh.

Stock Price Information and Stock Performance

Our common stock is traded on the Dhaka Stock Exchange and Chittagong Stock Exchange under the symbol MARICO.

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 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.

MARICO BANGLADESH LIMITED

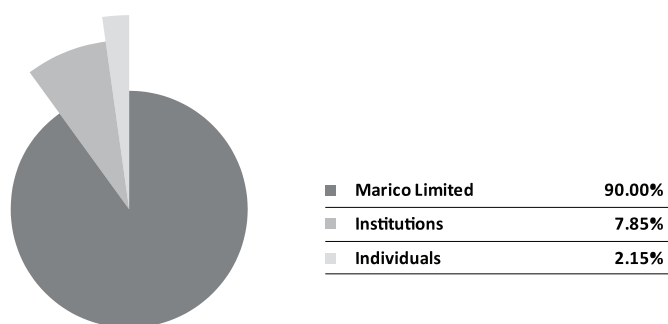
CORPORATE GOVERNANCE COMPLIANCE REPORT

Pattern of Shareholding on Record Date-May 21, 2012

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	
Aditya Shome, CFO and Spouse and Minor Children:	-	
Balaji K.S. Head of Internal Audit and Spouse and Minor Children:	1	
Sorwar Alam, CS and Spouse and Minor Children:	2,800	
Executives (Top 5 Salaried Person Other than MD, CFO, HIA, CS):		
Ashikur Rahman	-	
Subir De	-	
Mohammad Iqbal Chowdhury	4,150	
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	2,472,000	7.85%
Individuals	678,000	2.15%
Total	31,500,000	100.00%



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 third Annual Report of your company, Marico Bangladesh Limited after being listed to stock exchanges for the period ended March 31, 2012 ('the period under review', 'the reporting period', or 'FY12').

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, Parachute Advanced Cooling Hair Oil, Haircode, Nihar, etc.

Key Brands Performances

* Parachute Coconut Oil

Parachute, Marico's flagship brand continued its market dominance during the year. Today, the brand is amongst the top five leading brands in Bangladesh (Source: Bangladesh brand forum). The brand enjoys the support of loyal consumer base and is a market leader in its segment. Your brand has been re-launched in a deep blue colored pack in June 2012. The new pack will further improve the overall appearance of the product and offering to the consumers.



* Parachute Advanced

Parachute Advanced Enriched Hair Oil is a brand extension of Parachute. It contains the goodness of amla, mehedi, lemon and hibiscus along with coconut oil. These ingredients address different hair problems such as dandruff, and make hair strong, healthy, shiny and long by reducing breakages. It was supported by a widely popular strong brand communication campaign known as 'Gorgeous Sharadin' and thematic 'Bondu Tindin'.



* Parachute Beliphool

Parachute Beliphool Lite is another extension of the Parachute brand. It is Marico's largest offering in the VAHO (Value Added Hair Oil) category. It caters to customers in the perfumed hair oil segment. Parachute Beliphool Lite is a coconut based, nonsticky hair oil having the perfume of Beliphool.

The key distinguishing features of the brand are its unique fragrance and the non-sticky nature of the oil which nourishes the hair and leaves the hair light.

Parachute Beliphool Lite is currently the fastest growing brand in Marico Bangladesh Limited's VAHO portfolio.



* Parachute Advanced Cooling Hair Oil

The company entered the cooling oil segment in the beginning of the year with Parachute Advanced Cooling Hair Oil (PACHO). Since its launch, PACHO has successfully served the cooling oil needs of the consumers and gained a foothold within this category, especially in the small pack segment.

Parachute Advanced Cooling Oil is a coconut based oil enriched with 21 ayurvedic cooling herbs that provides the consumers with hair nourishment in addition to cooling benefits. The brand promises relief from headaches, relief from long lasting stress in addition to providing the benefits of hair nourishment.



DIRECTORS' REPORT

* Nihar

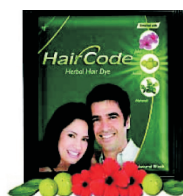
Marico launched a new brand of hair oil, Nihar Naturals in March 2012. This new addition to Marico's brand portfolio offers a range of hair oils, based on the goodness of natural ingredients and has a variety of choices that are new, individualistic and contemporized. The Nihar Naturals range, with its three variants; Amla, Almond and Enriched Hair Oil, gives a complete offering for the hair and beauty needs of today's modern women.



* Hair Code

Hair Code Herbal Hair Dye was launched in Bangladesh in 2008. Available in 6g sachet packs, Hair Code is the pioneer in herbal hair dye segment in Bangladesh which is enriched with Joba, Amlaki and Mehendi. It covers grey hair naturally, giving consumer 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 thereby confirming our market leadership status in the powder Hair Dye category. The brand has been supported with insightful advertising and salon activation programs.



* Establishment of New Factory and Depot

The company has invested both on the distribution as well as on the capacity front by setting up new depot at Comilla and established a new factory at Shirirchala, Mahona, Bobanipur, Gazipur in June 2012.

Corporate Social Responsibility

Facilitating Training and Equipment to Farmers for Copra Production

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

Directors of the Company

Directors retiring by rotation

Mr. Ghulam Mostafa and Mrs. Rupali Chowdhury, 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.

Director's Responsibilities for Financial Statements

The Statement of the Director's Responsibilities and Management's Report on Internal Control over Financial Reporting for financial statements are given in 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 dates 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 cashflow 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.

DIRECTORS' REPORT

- e) The systems of internal controls are sound and have been effectively implemented and monitored.
- f) There are no significant doubts about the Company's ability to continue as a going concern.
- g) The significant deviations from last year in operating results of the company have been highlighted in the report and reasons thereof have been explained.
- h) The key operating and financial data for the last five years are annexed.

Results of Operations

Financial Year 2011-12 (FY12) Performance

Taka in Crore, except per share amounts	2012	2011
Turnover	604	612
Net earnings	54	77
Net earnings per share	17.00	24.46
Dividends per share	10	4.5*
Operating cash flow	-16.87	15.65
Return on assets	12.15%	18.45%
Return on equity	21.15%	33.09%

*18 months period

For Financial Year ended March 31, 2012, Marico posted a turnover of Tk. 604 Crore under the new accounting method of MOD-VAT. However if the old VAT accounting system was to be followed, the turnover would have been Tk. 680 Crore net profit after tax and earnings per share stood at Tk. 54 Crore and Tk. 17 per share respectively.

Dividend Distribution

Company's distribution of dividend for the financial year 2011-12 (FY12) comprised the following; Interim dividend of 100% on the paid up capital was Tk. 31.50 Crore.

No final dividend has been recommended at the ensuing Annual General Meeting.

The total cash dividend for the reported financial year (FY12) would be Tk. 31.50 Crore.

Contribution to National Exchequer

During the reporting period, your company paid Tk. 143 Crore (appx.) to the National Exchequer in the form of Corporate Income Tax, Customs Duties, Supplementary Duties, VAT and others.

Reserves

The total reserves of the company stood Tk. 232.50 Crore, details of which are shown in the Statement of Financial Position as share premium and retained earnings to the financial statements.

Events subsequent to the Statement of Financial Position

No event has occurred since the Financial Position date, which would require adjustment or disclosure in the financial statements.

Appointment of New Auditors

The auditors, M/s. Rahman Rahman Huq, Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting. As per Securities & Exchange Commissioner (SEC) notification No. SEC/CMRRCD/2009-193/104/Admin dated on July 27, 2011; every publicly listed company shall not appoint any firm of chartered accountants as its statutory auditors for a consecutive period exceeding three years. Therefore, the board of directors has proposed M/s. A. Qasem & Co to engage as statutory auditors (subject to approval at the 12th Annual General Meeting to be held on July 19, 2012 by members of the company) up to 13th Annual General Meeting to be held on 2013 with proposed Audit Fees of Tk. 4,00,000. M/s. A. Qasem & Co., Chartered

DIRECTORS' REPORT

Accountants have expressed their willingness to accept appointment as statutory auditors.

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, Business Associates and finally the shareholders for their immense support and contribution towards the success of the Company.

On behalf of 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 year ended March 31, 2012 have been prepared in conformity with Bangladesh Accounting Standard (BAS), BFRS, 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, 2012. 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.

Aditya Shome

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 2012, and the related income statement, 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 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 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 statements prepared in accordance with the Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the financial position of Marico Bangladesh Limited as at 31 March 2012, and of its financial performance and its cash flows for the year 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; and
- d) the expenditure incurred were for the purpose of the Company's business.

Rahman Rahman Huq

Auditor

Dhaka, 24 April 2012

MARICO BANGLADESH LIMITED

BALANCE SHEET

		31 March 2012	31 March 2011	31 March 2012	31 March 2011
		Taka	Taka	RS. Crore	RS. Crore
Assets	Note				
Property, plant and equipment	4	325,642,856	229,012,579	20.22	14.08
Capital work in progress	5	16,275,280	—	1.01	—
Intangible assets	6	62,500	6,651,734	—	0.41
Deferred tax assets	7	88,282,527	42,664,437	5.48	2.62
Non-current assets		430,263,163	278,328,750	26.71	17.11
Inventories	8	1,777,938,918	1,180,798,733	110.41	72.62
Accrued interest	9	30,632,603	34,175,260	1.90	2.10
Investments	10	2,146	29,619,846	—	1.82
Advance income tax	11	717,730,520	315,292,151	44.57	19.39
Advances and deposits	12	464,859,208	238,238,535	28.87	14.65
Fixed deposits	13	610,000,000	2,270,000,000	37.88	139.61
Cash and cash equivalents	14	171,204,924	266,612,849	10.63	16.40
Current assets		3,772,368,319	4,334,737,374	234.26	266.59
Total assets		4,202,631,482	4,613,066,124	260.97	283.70
Equity					
Share capital	15	315,000,000	315,000,000	19.56	19.37
Share premium		252,000,000	252,000,000	15.65	15.50
Reserves		—	17,022,900	—	1.05
Retained earnings		2,036,194,216	1,878,574,429	126.45	115.53
Total equity		2,603,194,216	2,462,597,329	161.66	151.45
Liabilities					
Provision for gratuity		12,388,093	8,896,857	0.77	0.55
Provision for leave encashment		6,419,607	10,253,706	0.40	0.63
Non-current liabilities		18,807,700	19,150,563	1.17	1.18
Short term finance	16	100,000,000	775,256,101	6.21	47.68
Liability for expenses	17	228,696,411	379,772,945	14.20	23.36
Interest payable		—	5,056,327	—	0.31
Provision for income tax	18	826,822,981	614,689,531	51.35	37.80
Trade creditors	19	215,678,285	225,082,968	13.39	13.84
Payable to holding company	20	177,772,739	123,087,996	11.04	7.57
Other liabilities	21	31,659,150	8,372,364	1.97	0.51
Current liabilities		1,580,629,566	2,131,318,232	98.16	131.07
Total liabilities		1,599,437,266	2,150,468,795	99.33	132.25
Total equity and liabilities		4,202,631,482	4,613,066,124	260.99	283.70

*The annexed notes 1 to 36 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 2012

Rahman Rahman Huq
Auditor

Note: The exchange rate used to convert Taka to Rs. <0.621> / <Taka> (Rs. <0.615> / <Taka>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

MARICO BANGLADESH LIMITED

PROFIT AND LOSS ACCOUNT

		31 March 2012 Taka	31 March 2011 Taka	31 March 2012 RS. Crore	31 March 2011 RS. Crore
	Note				
Revenue	22	6,036,260,121	6,124,079,239	374.85	376.63
Cost of sales	23	(4,537,754,462)	(4,409,158,921)	(282)	(271)
Gross profit		1,498,505,659	1,714,920,318	93.06	105.47
Distribution expenses	24	(573,579,913)	(488,546,169)	(35.62)	(30.05)
Administration expenses	25	(377,388,679)	(324,561,295)	(23.44)	(19.96)
Results from operating activities		547,537,067	901,812,854	34.00	55.46
Other income	26	223,841,807	227,735,641	13.90	14.01
Finance costs	27	(69,243,728)	(23,973,108)	(4.30)	(1.47)
Profit before tax		702,135,146	1,105,575,387	43.60	68.00
Tax expense	28	(166,515,359)	(334,946,694)	(10.34)	(20.60)
Profit for the year		535,619,787	770,628,693	33.26	47.40
Earnings per share					
Basic earnings per share (par value of Tk 10)	29	17.00	24.46	-	-

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 RS. Crore	31 March 2011 RS. Crore
Profit for the year	535,619,787	770,628,693	33.26	47.39
Net change in the fair value of available-for sale of financial assets	-	17,022,900	-	1.05
Total comprehensive income for the year	535,619,787	787,651,593	32.26	48.44

*The annexed notes 1 to 36 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 2012

Rahman Rahman Huq
Auditor

Note: The exchange rate used to convert Taka to Rs. <0.621> / <Taka> (Rs. <0.615> / <Taka>)

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MARICO BANGLADESH LIMITED

CASH FLOWS STATEMENT

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 RS. Crore	31 March 2011 RS. Crore
Cash flows from operating activities				
Collection from customers	6,036,260,121	6,124,079,239	374.85	376.63
Payment to suppliers and operating expenses	(6,314,604,097)	(5,674,606,788)	(392.14)	(348.99)
Interest paid	(74,300,055)	(19,359,281)	(4.61)	(1.19)
Interest received	223,630,323	244,590,486	13.89	15.04
Income tax paid	(402,438,367)	(181,725,005)	(24.99)	(11.18)
Net cash (used in)/from operating activities	(531,452,075)	492,978,651	(33.00)	30.31
Cash flows from investing activities				
Acquisition of fixed assets	(204,071,590)	(51,559,172)	(12.67)	(3.17)
Dividend income	3,754,141	1,617,176	0.23	0.10
Encashment of investment in quoted shares	29,617,700	–	1.84	–
Encashment of (Investment in) fixed deposits	1,660,000,000	(721,704,378)	103.09	(44.38)
Net cash from/(used in) investing activities	1,489,300,251	(771,646,374)	92.49	(47.45)
Cash flows from financing activities				
Dividend paid	(378,000,000)	(78,750,000)	(23.47)	(4.84)
Short term finance	(675,256,101)	550,927,061	(41.93)	33.88
Net cash (used in)/from financing activities	(1,053,256,101)	472,177,061	(65.40)	29.04
Net (decrease)/increase in cash and cash equivalents	(95,407,925)	193,509,338	(5.92)	11.90
Cash and cash equivalents at 1 April	266,612,849	73,103,511	16.56	4.50
Cash and cash equivalents at 31 March	171,204,924	266,612,849	10.64	16.40

*The annexed notes 1 to 36 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 2012

Rahman Rahman Huq
Auditor

Note: The exchange rate used to convert Taka to Rs. <0.621> / <Taka> (Rs. <0.615> / <Taka>)

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 March, 2012

	Share capital Taka	Share premium Taka	Fair value reserve Taka	Retained earnings Taka	Total equity Taka	Share capital Rs.Crore	Share premium Rs.Crore	Fair value reserve Rs.Crore	Retained earnings Rs.Crore	Total equity Rs.Crore
Balance at 1 April 2010	315,000,000	252,000,000	-	1,186,695,736	1,753,695,736	20.44	16.35	-	77.02	113.81
Net profit for the year ended 31 March 2011	-	-	-	770,628,693	770,628,693	-	-	-	50.01	50.01
Dividends	-	-	-	(78,750,000)	(78,750,000)	-	-	-	(5.11)	(5.11)
Change in the fair value of available for sale of financial assets	-	-	17,022,900	-	17,022,900	-	-	1.10	-	1.10
Balance at 31 March 2011	315,000,000	252,000,000	17,022,900	1,878,574,429	2,462,597,329	20.44	16.35	1.10	121.92	159.81
Balance at 1 April 2011	315,000,000	252,000,000	17,022,900	1,878,574,429	2,462,597,329	19.56	15.65	1.06	116.66	152.93
Net profit for the year ended 31 March 2012	-	-	-	535,619,787	535,619,787	-	-	-	33.26	33.26
Dividends	-	-	-	(378,000,000)	(378,000,000)	-	-	-	(23.47)	(23.47)
Realisation of change in the fair value of available for sale of financial assets	-	-	(17,022,900)	-	(17,022,900)	-	-	(1.06)	-	(1.06)
Balance at 31 March 2012	315,000,000	252,000,000	-	2,036,194,216	2,603,194,216	19.56	15.65	-	126.45	161.66

Note: The exchange rate used to convert Taka to Rs. <0.621> / <Taka> (Rs. <0.615> / <Taka>)

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 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, Jessore and Comilla. 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).

The financial statements were authorised for issue by the Board of Directors in the 71st Board meeting held on 24 April 2012.

2.2 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 10.1.

2.3 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.

2.4 Reporting period

The financial statements of the Company covered one year from 1 April 2011 to 31 March 2012.

2.5 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.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

3 Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise 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.

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 recognised 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 recognised 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%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 amortisation using straight line method. Intangible assets include cost of acquisition of the intellectual property, copyright and other costs incidental to such capital expenditure.

Amortisation

Amortisation is recognised in the income statement on straight line basis over the estimated useful lives of intangible assets from the date they are available for use.

3.4 Impairment**3.4.1 Non-derivative financial assets**

A financial assets not classified as at fair value through profit or loss 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.

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 . Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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. For other assets, 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 costs

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, using tax rates 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 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 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. Bank overdrafts that are repayable on demand 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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:

Translation risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. Property, plant and equipment

At 31 March 2012

Particulars	Cost				Accumulated depreciation				Carrying value
	AS at 1 April 2011	Addition during the year	Disposal during the year	As at 31 March 2012	As at 1 April 2011	Charged for the period	Adjustment for the period	As at 31 March 2012	As at 31 March 2012
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Plant and machinery	319,236,036	17,321,532	(166,410,794)	170,146,774	227,058,053	61,116,686	(166,444,343)	121,730,396	48,416,378
Freehold land	36,394,486	138,317,580	–	174,712,066	–	–	–	–	174,712,066
Vehicles	26,444,848	11,105,428	(6,713,950)	30,836,326	11,309,252	6,263,792	(6,713,950)	10,859,094	19,977,232
Factory equipment	5,418,521	109,760	(1,875,211)	3,653,071	3,000,390	862,848	(1,875,200)	1,988,038	1,665,033
Moulds	13,259,944	10,213,543	(3,588,440)	19,885,048	8,931,791	4,300,178	(3,672,845)	9,559,124	10,325,924
Factory building	4,669,572	–	(1,759,582)	2,909,990	2,162,283	131,501	(1,689,277)	604,507	2,305,483
Office building	56,550,264	5,642,912	–	62,193,176	13,608,796	6,313,366	–	19,922,162	42,271,014
Laboratory equipment	1,275,822	559,663	(537,500)	1,297,985	635,866	301,759	(537,501)	400,124	897,861
Office equipments	12,462,924	1,239,507	(1,818,068)	11,884,363	4,368,004	2,686,959	(1,836,068)	5,218,895	6,665,468
Computers	5,133,210	909,450	(213,500)	5,829,160	2,883,889	1,304,558	(213,499)	3,974,948	1,854,212
Furniture and fixtures	26,300,574	1,800,362	(980,852)	27,120,084	9,314,412	5,704,947	(980,852)	14,038,507	13,081,577
A/C, refrigerator, water coolers	7,076,795	463,600	(687,020)	6,853,375	1,937,681	2,132,093	(687,007)	3,382,767	3,470,608
At 31 March 2012	514,222,996	187,683,337	(184,584,916)	517,321,418	285,210,417	91,118,687	(184,650,542)	191,678,562	325,642,856

At 31 March 2012

Particulars	Cost				Accumulated depreciation				Carrying value
	AS at 1 April 2011	Addition during the year	Disposal during the year	As at 31 March 2012	As at 1 April 2011	Charged for the period	Adjustment for the period	As at 31 March 2012	As at 31 March 2012
	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore
Plant and machinery	19.82	1.08	(10.33)	10.57	14.10	3.80	(10.34)	7.56	3.01
Freehold land	2.26	8.59	–	10.85	–	–	–	–	10.85
Vehicles	1.64	0.69	(0.42)	1.91	0.70	0.39	(0.42)	0.67	1.24
Factory equipment	0.34	0.01	(0.12)	1.23	0.19	0.05	(0.12)	0.12	1.11
Moulds	0.82	0.63	(0.22)	1.23	0.55	0.27	(0.23)	0.59	0.64
Factory building	0.29	–	(0.11)	0.18	0.13	0.01	(0.10)	0.04	0.14
Office building	3.51	0.35	–	3.86	0.85	0.39	–	1.24	2.62
Laboratory equipment	0.08	0.03	(0.03)	0.08	0.04	0.02	(0.04)	0.02	0.06
Office equipments	0.77	0.08	(0.11)	0.74	0.27	0.17	(0.12)	0.32	0.42
Computers	0.32	0.06	(0.01)	0.37	0.18	0.08	(0.01)	0.25	0.12
Furniture and fixtures	1.63	0.11	(0.06)	1.68	0.58	0.35	(0.06)	0.87	0.81
A/C, refrigerator, water coolers	0.44	0.03	(0.04)	0.43	0.12	0.13	(0.04)	0.21	0.22
At 31 March 2012	31.92	11.66	(11.45)	33.13	17.71	5.66	(11.48)	11.89	21.24

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

At 31 March 2012

Particulars	Cost				Accumulated depreciation				Carrying value
	AS at 1 April 2010	Addition during the year	Disposal during the year	As at 31 March 2011	As at 1 April 2010	Charged for the period	Adjustment for the period	As at 31 March 2011	As at 31 March 2011
	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
Freehold land	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
Factory equipment	4,184,066	1,234,455	–	5,418,521	2,223,191	777,199	–	3,000,390	2,418,131
Moulds	12,902,537	357,407	–	13,259,944	6,217,413	2,714,378	–	8,931,791	4,328,153
Factory building	4,669,572	–	–	4,669,572	1,894,407	267,876	–	2,162,283	2,507,289
Office building	56,550,264	–	–	56,550,264	7,953,770	5,655,026	–	13,608,796	42,941,468
Laboratory equipment	548,000	727,822	–	1,275,822	543,625	92,241	–	635,866	639,956
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
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
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
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
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

At 31 March 2011

Particulars	Cost				Accumulated depreciation				Carrying value
	AS at 1 April 2010	Addition during the year	Disposal during the year	As at 31 March 2011	As at 1 April 2010	Charged for the period	Adjustment for the period	As at 31 March 2011	As at 31 March 2011
	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore
Plant and machinery	18.01	1.63	(0.01)	19.63	8.59	5.38	(0.01)	13.96	5.67
Freehold land	2.24	–	–	2.24	–	–	–	–	2.24
Vehicles	1.28	0.52	(0.18)	1.62	0.53	0.28	(0.11)	0.70	0.92
Factory equipment	0.26	0.08	–	0.34	0.14	0.05	–	0.19	0.15
Moulds	0.79	0.02	–	0.81	0.38	0.17	–	0.55	0.26
Factory building	0.29	–	–	0.29	0.12	0.02	–	0.14	0.15
Office building	3.48	–	–	3.48	0.49	0.35	–	0.84	2.64
Laboratory equipment	0.03	0.04	–	0.07	0.03	0.01	–	0.04	0.03
Office equipments	0.61	0.16	–	0.77	0.13	0.14	–	0.27	0.50
Computers	0.27	0.07	(0.02)	0.32	0.12	0.07	(0.02)	0.17	0.15
Furniture and fixtures	1.20	0.42	(0.01)	1.61	0.31	0.27	(0.01)	0.57	1.04
A/C, refrigerator, water coolers	0.15	0.29	–	0.44	0.06	0.06	–	0.12	0.32
At 31 March 2011	28.61	3.23	(0.22)	31.62	10.90	6.80	(0.15)	17.55	14.07

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4.1 Depreciation allocated to:

	For the year ended 31 March 2012 Taka	For the year ended 31 March 2011 Taka	For the year ended 31 March 2012 Rs.Crore	For the year ended 31 March 2011 Rs.Crore
Manufacturing	68,230,695	92,177,561	4.24	5.67
Administration	22,887,992	18,352,562	1.42	1.13
	91,118,687	110,530,123	5.66	6.80
	2012 Taka	2011 Taka	2012 Rs.Crore	2011 Rs.Crore
5. Capital work in progress	16,275,280	–	1.01	–

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.

Cost				
Marks & Allys Limited: Intellectual property right	2,500,000	2,500,000	0.16	0.15
Copyright	2,500,000	2,500,000	0.16	0.15
	5,000,000	5,000,000	0.32	0.30
Aromatic Cosmetics Limited:				
Intellectual property right	7,500,000	7,500,000	0.47	0.46
Copyright	7,500,000	7,500,000	0.47	0.46
	15,000,000	15,000,000	0.94	0.92
Incidental to capital expenditure	3,075,125	3,075,125	0.19	0.19
	23,075,125	23,075,125	1.45	1.41
Accumulated amortization				
As at 1 April	16,423,391	11,808,366	1.02	0.73
Charge during the year	6,589,234	4,615,025	0.41	0.28
As at 31 March	23,012,625	16,423,391	1.43	1.01
Carrying value	62,500	6,651,734	0.02	0.40

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

7. Deferred tax assets

Deferred tax asset/(liability) is arrived as follows:

	BDT			Rs.Crore		
	Carrying value as at 31 March	Tax base as at 31 March	Temporary Difference Taxable/(deductible)	Carrying value as at 31 March	Tax base as at 31 March	Temporary Difference Taxable/(deductible)
Year 2012						
Non-current assets	148,671,988	317,703,037	(169,031,049)	9.23	19.73	(10.50)
Provision for gratuity	(12,388,093)	–	(12,388,093)	(0.77)	–	(0.77)
Provision for leave encashment	(6,399,181)	–	(6,399,181)	(0.40)	–	(0.40)
Royalty payable	(168,878,754)	–	(168,878,754)	(10.49)	–	(10.49)
Net deductible temporary difference			(356,697,077)			(22.16)
Income tax rate *			24.75%			24.75%
Deferred tax asset (A)			(88,282,527)			(5.48)

*The Company has declared 100% interim dividend and thus it's tax rate is 24.75% for the relevant assessment year.

Year 2011						
Non-current assets	191,653,431	223,682,588	(32,029,157)	11.79	13.76	(1.97)
Provision for gratuity	(8,896,857)	–	(8,896,857)	(0.55)	–	(0.55)
Royalty payable	(114,217,394)	–	(114,217,394)	(7.02)	–	(7.02)
Net deductible temporary difference			(155,143,408)	–		(9.54)
Income tax rate			27.50%			27.50%
Deferred tax asset (B)			(42,664,437)			(2.62)
Deferred tax income (A-B)			45,618,089			2.86

8. Inventories

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Raw materials	1,241,885,840	698,025,156	77.12	42.93
Packing materials	108,864,923	82,302,743	6.76	5.06
Finished goods	224,018,376	247,581,606	13.91	15.23
Goods in transit	203,169,779	152,889,228	12.62	9.40
	1,777,938,918	1,180,798,733	110.41	72.62

9. Accrued interest

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Interest on FDR	30,632,603	34,175,260	1.90	2.10

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. Investments

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Investment in equity share of Grameenphone Ltd - at cost	2,146	12,596,946	–	0.77
Adjustment for change in fair value (note 10.1)	–	17,022,900	–	1.05
	2,146	29,619,846	–	1.82

10.1 Investment in equity share of Grameenphone Limited

These investments in Grameenphone Limited shares were measured at fair value based on quoted market price and any gain or loss thereon were accounted for through comprehensive income. However, during the year all investments except 29 shares have been disposed off and relevant gain has been treated as realised income.

11. Advance income tax

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Opening Balance	315,292,151	86,021,442	19.58	5.29
Addition During the year	402,438,369	229,270,709	24.99	14.10
	717,730,520	315,292,151	44.57	19.39

12. Advances and deposits

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Advances				
Loans to employees	10,518,964	2,849,082	0.65	0.18
Advance for services	30,777,745	115,011,276	1.91	7.07
	41,296,709	117,860,358	2.56	7.25
Deposits:				
VAT current account	80,122,256	73,898,710	4.98	4.54
Supplementary duty	1,241,917	977,162	0.08	0.06
Security deposit	9,144,200	–	0.57	–
Capital goods	333,054,126	45,502,305	20.68	2.80
	423,562,499	120,378,177	26.31	7.40
	464,859,208	238,238,535	28.87	14.65

13. Fixed deposits

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Advances				
Bank Asia Limited	50,000,000	40,000,000	3.11	2.46
BRAC Bank limited	–	50,000,000	–	3.08
Citi Bank Limited	–	350,000,000	–	21.53
Commercial Bank of Ceylon PLC	50,000,000	100,000,000	3.11	6.15
Delta Brac Housing Finance Corporation Limited	50,000,000	150,000,000	3.11	9.23
IDLC Finance Limited	170,000,000	200,000,000	10.56	12.30
Industrial and Infrastructure Development Finance Company Limited	–	50,000,000	–	3.08

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

Advances	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs.Crore	31 March 2011 Rs.Crore
HSBC	150,000,000	–	9.32	–
Mutual Trust Bank Limited	–	120,000,000	–	7.38
National Bank Limited	–	170,000,000	–	10.46
Prime Bank Limited	60,000,000	150,000,000	3.73	9.23
State Bank of India	40,000,000	200,000,000	2.48	12.30
Standard Chartered Bank	40,000,000	600,000,000	2.48	36.90
Trust Bank Limited	–	50,000,000	–	3.08
United Commercial Bank Limited	–	40,000,000	–	2.46
	610,000,000	2,270,000,000	37.90	139.64

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 12%-15% (in previous year: 9.75% - 13%).

14. Cash and cash equivalents

Cash in hand	1,636,083	3,390,411	0.10	0.21
Cash at banks and financial institution:				
Citibank N.A.	108,037,156	226,792,286	6.71	13.95
Standard Chartered Bank	2,133,045	27,982,825	0.13	1.72
Commercial Bank of Ceylon	1,268,573	1,271,048	0.08	0.08
HSBC	27,304,408	4,947,856	1.70	0.30
Dutch Bangla Bank Limited	1,506,464	1,423,234	0.09	0.09
IDLC Finance Limited	–	805,189	–	0.05
BRAC Bank Limited	29,319,195	–	1.82	–
	169,568,841	263,222,438	10.53	16.19
	171,204,924	266,612,849	10.63	16.40

15. Share capital**Authorised**

The authorised 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.

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
40,000,000 ordinary shares of Tk. 10 each	400,000,000	400,000,000	24.84	24.60
Issued, subscribed and paid up				
Issued for cash	41,500,000	41,500,000	2.58	2.55
Issued for consideration other than cash	273,500,000	273,500,000	16.98	16.82
	315,000,000	315,000,000	19.56	19.37

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

15.1. Percentage of shareholdings

	% of shareholdings	Taka	% of shareholdings	Rs. Crore
Marico Limited, India	90%	283,500,000	90%	17.61%
Other shareholders	10%	31,500,000	10%	1.96%
	100%	315,000,000	100%	19.56%

15.2. Classification of shareholders by holding

Holdings	Number of holders	No of shares	Total holding (%)
Less than 500 shares	2,818	208,900	0.66%
500 to 5,000 shares	220	314,000	1.00%
5,001 to 10,000 shares	20	150,000	0.48%
10,001 to 20,000 shares	18	247,050	0.78%
20,001 to 30,000 shares	8	196,600	0.62%
30,001 to 40,000 shares	1	36,750	0.12%
40,001 to 50,000 shares	2	91,900	0.29%
50,001 to 100,000 shares	5	333,650	1.06%
100,001 to 1,000,000 shares	3	425,800	1.35%
Over 1,000,000 shares	2	29,495,350	93.64%
	3,097	31,500,000	100%

16. Short term finance

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Short term loan:				
Citibank N.A.	100,000,000	319,274,019	6.21	19.64
HSBC	–	357,466,882	–	21.98
Standard Chartered Bank	–	98,515,200	–	6.06
	100,000,000	775,256,101	6.21	47.68

16.1 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 14% to 16% depending on the money market and inter relationship.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

16.2 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.

c) Rate of interest

Rate of interest has been varied from 14% to 16% depending on the money market and inter relationship.

17. Liability for expenses

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Business promotion expenses	80,388,416	163,490,269	4.99	10.05
Advertisement expenses	87,107,626	100,871,139	5.41	6.20
Audit fees	548,625	766,250	0.03	0.05
Creditors for supplies	36,581,015	74,924,074	2.27	4.61
Other expenses	24,070,729	39,721,213	1.49	2.44
	228,696,411	379,772,945	14.19	23.35

18. Provision for income tax

Opening balance	614,689,532	239,275,393	38.17	14.72
Add: Provision during the year	212,133,449	375,414,138	13.17	23.09
	826,822,981	614,689,531	51.34	37.81

19. Trade creditors

Marico Limited, India	131,873,368	63,597,164	8.19	3.91
Other creditors	42,732,360	24,553,477	2.65	1.51
Import duty and related charges	41,072,557	136,932,327	2.55	8.42
	215,678,285	225,082,968	13.39	13.84

20. Payable to holding company

Royalty	168,878,753	114,194,010	10.49	7.02
Bank guarantee commission	8,893,986	8,893,986	0.55	0.55
	177,772,739	123,087,996	11.04	7.57

21. Other liabilities

Advance from customers	16,790,898	3,388,513	1.04	0.21
Tax and VAT deducted from vendors' bills	14,868,252	4,983,851	0.92	0.31
	31,659,150	8,372,364	1.96	0.52

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

22. Revenue

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Products				
Parachute coconut oil	5,438,197,387	5,665,188,026	337.71	348.41
Value added hair oil (VAHO)	417,388,497	147,231,185	25.92	9.05
Hair code hair dye	91,909,694	101,243,969	5.71	6.23
Saffola - edible oil	32,990,515	42,589,683	2.05	2.62
Kaya- service	35,247,122	24,139,571	2.19	1.48
Soap	19,724,726	138,683,262	1.22	8.53
Others	802,181	5,003,543	0.05	0.31
	6,036,260,121	6,124,079,239	374.85	376.63

23. Cost of sales

Opening stock of finished goods	247,581,606	210,477,501	15.37	12.94
Cost of goods manufactured (Note 23.1)	4,514,191,232	4,446,263,026	280.33	273.45
	4,761,772,838	4,656,740,527	295.70	286.39
Closing stock of finished goods	(224,018,376)	(247,581,606)	(13.91)	(15.23)
	4,537,754,462	4,409,158,921	281.79	271.16

23.1 Cost of goods manufactured

<i>Materials consumed:</i>				
Opening stock of raw and packing materials	780,327,899	395,822,470	48.46	24.34
Purchases during the year	4,965,357,697	4,706,328,614	308.35	289.44
Closing stock of raw and packing materials	(1,350,750,763)	(780,327,899)	(83.88)	(48.46)
	4,394,934,833	4,321,823,185	272.93	265.32
<i>Factory Overhead</i>				
Salary and wages	18,127,865	13,781,817	1.13	0.85
Power expenses	4,198,283	3,838,686	0.26	0.24
Factory rent	8,336,005	3,348,905	0.52	0.21
Loading charges	1,714,544	94,240	0.11	0.01
Repairs and maintenance of plant and machinery	2,388,651	2,961,668	0.15	0.18
Repairs and maintenance of factory building	1,832,669	2,827,806	0.11	0.17
Depreciation	68,230,695	92,177,561	4.24	5.67
Other expenses	14,427,687	5,409,158	0.90	0.33
	119,256,399	124,439,841	7.42	7.66
	4,514,191,232	4,446,263,026	280.35	272.98

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

24. Distribution expenses

Business promotion expenses	117,924,480	32,482,310	7.32	2.00
Advertisement	326,378,775	402,741,441	20.27	24.77
Market research expenses	30,058,962	–	1.87	–
Redistribution expenses	51,124,662	9,247,825	3.17	0.57
Freight - outward	48,093,034	44,074,593	2.99	2.71
	573,579,913	488,546,169	35.62	30.05

25. Administration expenses

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Salaries and allowances	132,453,175	125,906,535	8.23	7.74
Gratuity	4,682,411	2,130,770	0.29	0.13
Rent	12,269,215	11,625,095	0.76	0.71
Professional charges	27,405,403	13,819,841	1.70	0.85
Security charges	1,852,327	1,516,947	0.12	0.09
Legal charges	964,519	4,390,898	0.06	0.27
Director's remuneration	10,398,168	7,157,474	0.65	0.44
Director's fees	420,000	367,500	0.03	0.02
Repair and maintenance	12,642,584	12,118,938	0.79	0.75
Communication expenses	9,533,565	9,362,477	0.59	0.58
Subscription to trade association	90,000	80,000	0.01	–
Entertainment	6,815,799	3,963,727	0.42	0.24
Printing and stationery	3,283,899	3,321,441	0.20	0.20
Vehicle running expenses	16,748,136	11,787,749	1.04	0.72
Travelling and conveyance	28,176,825	24,553,862	1.75	1.51
Audit fees	1,719,188	2,644,052	0.11	0.16
Recruitment expenses	803,888	1,162,871	0.05	0.07
Insurance premium	1,280,691	804,078	0.08	0.05
Books and periodicals	119,504	105,846	0.01	0.01
Bank charges	9,408,390	3,684,545	0.58	0.23
Staff welfare expenses	4,474,729	3,041,822	0.28	0.19
Conference and training expenses	2,475,379	51,898	0.15	–
Electricity and gas charges	1,210,741	1,316,509	0.08	0.08
Amortization	6,589,234	4,615,025	0.41	0.28
Royalty	54,684,743	56,608,833	3.40	3.48
Depreciation	22,887,992	18,352,562	1.42	1.13
Material testing	1,200	–	–	–
Public issue expenses	70,000	70,000	–	–
Shortage and leakage	3,926,973	–	0.24	–
	377,388,679	324,561,295	23.45	19.93

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

26. Other income

Interest on fixed deposit	202,869,404	222,418,384	12.60	13.68
Dividend income	3,754,141	1,617,176	0.23	0.10
Interest on call deposit	206,508	3,680,955	0.01	0.23
Gain on sale of asset	17,011,754	19,126	1.06	–
	223,841,807	227,735,641	13.90	14.01

27. Finance costs

Interest on term loan	13,995,309	16,220,717	0.87	1.00
Interest on overdraft	3,474,614	30,074	0.22	–
Net foreign exchange loss	51,773,805	7,722,317	3.22	0.47
	69,243,728	23,973,108	4.31	1.47

28. Income tax expense

	31 March 2012 Taka	31 March 2011 Taka	31 March 2012 Rs. Crore	31 March 2011 Rs. Crore
Current tax expense	212,133,449	375,414,138	13.17	23.09
Deferred tax income	(45,618,090)	(40,467,444)	(2.83)	(2.49)
	166,515,359	334,946,694	10.34	20.60

28.1 Reconciliation of effective tax

Profit before income tax as per income statement	702,135,146	43.60		
Income tax using the domestic corporate tax rate (@ 24.75%)	173,778,449	10.79		
Factors affecting the tax charge for current period				
Non deductible expenses	224,611,857	24.75%	55,591,435	3.45
Deductible expenses	55,317,279	24.75%	(13,691,027)	(0.85)
Tax savings from reduced tax rates from dividend	4.75%	(178,322)	(0.01)	
Deferred tax income	(45,618,090)	(2.83)		
Total income tax expenses	166,515,359	10.34		

29. Earnings per share**29.1 Basic Earnings Per Share**

The computation of EPS is given below:

Earnings attributable to ordinary shareholders (Net profit after tax)	535,619,787	770,628,693	33.26	47.39
Weighted average number of ordinary shares outstanding during the year	31,500,000	31,500,000	1.96	1.94
Earnings per share (EPS) in Taka	17.00	24.46	16.97	24.43

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29.2 Diluted earnings per share

Since there is no dilutive factors, diluted earnings per share is not required to be calculated.

30. Related party transactions

Name of the related party	Relationship	Nature of transaction	Transaction Amount	Transaction Amount
Marico Limited, India	Parent company	Import of raw materials and		
		finished goods	1,887,537,333	117.22
		Dividend	306,180,000	19.01
		Royalty and bank guarantee		
		commission	54,684,744	3.40
Marico Middle East FZE	Subsidiary of parent company	Import of raw materials	831,286,362	51.62
Kaya Limited	Subsidiary of parent company	Import of finished goods	6,726,986	0.42
		Total	3,086,415,425	191.67

31. Capacity

Major product	Unit of Measure	Budgeted capacity during the year	Actual production during the year	Percentage of capacity utilised	Remarks
PCNO	KL	20,000	18,500	93%	Excess capacity to meet future demand

32. Contingent Liabilities

	At 31 March 2012	At 31 March 2011	At 31 March 2012	At 31 March 2011
	US dollar	US dollar	Rs.Crore	Rs.Crore
Outstanding L/Cs	4,114,990	6,549,324	20.94	29.20

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

33. Financial risk management**33.1 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.

The company makes sales on advance basis i.e. it receives advance from customers prior to sale so there is no credit risk due to uncollectibility from the customers. However, the company maintains most of the financial assets with short-term deposits and cash and cash equivalents.

The following are the financial assets of the Company as at 31 March 2012:

Exposure of financial assets		
	BDT	Rs.Crore
Investments	2,146	–
Accrued interest	30,632,603	1.90
Fixed deposits	610,000,000	37.88
Cash and cash equivalents	171,204,924	10.63
Total financial assets	811,839,673	50.41

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

33.2 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

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.

The following are the contractual maturities of financial liabilities of the Company as at 31 March 2012:

	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	100,000,000	100,000,000	100,000,000	–	6.21	6.21	6.21	–
Liability for expenses	228,696,411	228,696,411	228,696,411	–	14.20	14.20	14.20	–
Trade creditors	215,678,285	215,678,285	215,678,285	–	13.39	13.39	13.39	–
Payable to holding company	177,772,739	177,772,739	54,684,743	123,087,996	11.04	11.04	3.40	7.64
Other liabilities	31,659,150	31,659,150	31,659,150	–	1.97	1.97	1.97	–
Total financial liabilities	753,806,585	753,806,585	630,718,589	123,087,996	46.81	46.81	39.17	7.64
Surplus of financial assets over financial liabilities		58,033,088				3.60		

33.3 Market risk

Market risk is the risk that include changes in market price, such as foreign exchange rate, 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 exposures within acceptable parameters, while optimizing the return.

34. Value of import calculated on CIF Basis

	1 April 2011 to 31 March 2012	1 April 2011 to 31 March 2012
	Taka	Rs. Crore
Raw materials	3,800,832,761	236.03
Capital goods	11,884,025	0.74
	3,812,716,786	236.77

35. Events after the reporting period

The Board of Directors has not recommended any further dividend on the basis of financial statements ended on 31 March 2012. Interim dividend which was declared at the Board of Directors meeting held on January 23, 2012 and paid accordingly, shall be considered as final dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

The Board of Directors has approved transfer of land measuring 40 decimals situated at Sirirchala, Mahona, Bobanipur, Gazipur to Rural Electrification Board (REB) for getting uninterrupted electricity supply for smooth operations of new factory.

36. General

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 124 (previous year: 104).

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

MBL INDUSTRIES LIMITED

Board of Directors

Harsh Mariwala

Milind Sarwate

Debashish Neogi

Vijay Subramaniam

Registered Office

House-1, Road-1, Sector-1,

Uttara, Dhaka – 1230, Bangladesh

Auditors

Rahman Rahman Huq

Chartered Accountants

Internal Auditors

Farhad Hussain & Co.

Bankers

Standard Chartered Bank

Citibank N.A.

Legal Advisors

Corporate Counsel

Suite-802, Rahat Tower (7th Floor),

14, Biponon C/A,

West Banglamotor, Dhaka-1000

MBL INDUSTRIES LIMITED

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, 2011.

FINANCIAL RESULTS

Particulars	(Taka Crore)		(Rs. Crore)	
	2011	2010	2011	2010
Sales and Other Income	–	1.79	0.00	1.05
Profit before tax	0.22	(0.61)	(0.14)	(0.35)
Tax	–	(0.001)	–	(0.00)
Profit after Tax	(0.22)	(0.62)	(0.14)	(0.37)
Add : Surplus brought forward	2.50	3.12	1.61	1.84
Surplus carried forward	2.72	2.50	1.76	1.47

Note: The exchange rate used to convert Taka to Rs. is Rs. 0.65 /Taka)

SALES TURNOVER & PROFITABILITY

During the year ended September 30, 2011 (FY10), there was on trading transaction except other income on which it earned a profit/income before tax of Taka 0.22 Crore and a profit after tax of Taka 0.22 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 a new auditor will be appointed 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 13, 2012

Debashish Neogi
Director

Vijay Subramaniam
Director

AUDITORS' REPORT

To

The Shareholders of MBL Industries Limited

We have audited the accompanying financial statements of MBL Industries Limited ("the Company") which comprise the balance sheet as at 30 September 2011 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other relevant explanatory information.

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 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 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 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, we 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 statements give a true and fair view of the financial position of the Company as at 30 September 2011 and the results of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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; and
- c) the balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

Rahman Rahman Huq

Auditor

Dhaka, 23 January 2012

MBL INDUSTRIES LIMITED

BALANCE SHEET

As at 30 September 2011

	Note	2011 Taka	2010 Taka	2011 Rs. Crore	2010 Rs. Crore
Source Of funds					
Shareholders Funds					
Share capital	4	1,000,000	1,000,000	0.07	0.06
Reserves and surplus		27,159,648	24,998,799	1.77	1.62
Total		28,159,648	25,998,799	1.84	1.68
Application of funds					
Current assets: Loans & advances					
Advance income tax	5	40,009,557	39,765,879	2.60	2.57
Accrued interest	6	1,142,260	734,041	0.07	0.05
Cash and cash equivalents	7	30,545,235	29,015,932	1.99	1.88
		71,697,052	69,515,852	4.66	4.50
Current liabilities & Provisions					
Liability for expenses	8	583,074	623,324	0.04	0.04
Provision for tax	9	37,799,831	37,799,831	2.46	2.45
Payable to holding company	10	3,609,981	3,609,981	0.24	0.23
Other liabilities	11	1,544,517	1,483,917	0.10	0.10
		43,537,404	43,517,053	2.84	2.82
Net current assets		28,159,648	25,998,799	1.82	1.68
Total		28,159,648	25,998,799	1.82	1.68

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

Director

Vijay Subramaniam

Director

Place : Dhaka

Date : 5 June 2012

Note: The exchange rate used to convert Taka to Rs. <0.651> / <Taka> (Rs. <0.647> / <Taka>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

MBL INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 September 2011					
	Note	2011 Taka	2010 Taka	2011 Rs. Crore	2010 Rs. Crore
Turnover	12	–	17,847,669	–	1.15
Cost of sales	13	–	(15,187,906)	–	(0.98)
Gross profit		–	2,659,762	–	0.17
General and administrative expenses	14	684,148	(294,347)	0.04	(0.02)
Selling and distribution expenses	15	–	11,069,158	–	0.72
		684,148	10,774,811	0.04	0.70
Results from operating activities		(684,148)	(8,115,049)	(0.04)	(0.53)
Finance income	16	2,844,997	2,061,978	0.19	0.13
Profit/(loss) before taxation		2,160,849	(6,053,071)	0.15	(0.40)
Tax expenses					
Current tax expenses	17	–	–	–	–
Deferred tax expenses		–	(101,493)	–	(0.01)
		–	(101,493)	–	(0.01)
Profit/(loss) for the year		2,160,849	(6,154,564)	0.15	(0.41)

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
Director

Vijay Subramaniam
Director

Place : Dhaka
Date : 5 June 2012

Note: The exchange rate used to convert Taka to Rs. <0.651> / <Taka> (Rs. <0.647> / <Taka>)

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MBL INDUSTRIES LIMITED

CASH FLOW STATEMENT

Year ended 30 September 2011

Note	2011 Taka	2010 Taka	2011 Rs. Crore	2010 Rs. Crore
Cash flows from operating activities				
Profit/(loss) before taxation	2,160,849	(6,053,071)	0.14	(0.39)
Adjustment for:				
Depreciation	–	1,278	–	–
Written of fixed assets	–	2,555	–	–
	–	3,833	–	–
Increase/(decrease) in liabilities for expenses	(40,250)	(2,609,144)	–	(0.17)
Increase/(decrease) in other liabilities	60,600	(2,000,891)	–	(0.13)
Decrease in inventory of finished goods	–	11,084,529	–	0.72
Decrease in trade debtors	–	3,209,443	–	0.21
(Increase)/decrease in accrued interest	(408,219)	1,915,877	(0.03)	0.12
Cash generated from operation	(387,869)	11,603,647	(0.03)	0.75
Income tax paid	(243,678)	(1,872,068)	(0.02)	(0.12)
Net cash from operating activities	1,529,302	3,678,508	0.09	0.24
Cash flows from investing activities				
Net cash inflow/(outflow) from investing activities	–	–	–	–
Cash flows from financing activities				
Net cash inflow/(outflow) from financing activities	–	–	–	–
Net increase in cash and cash equivalents	1,529,302	3,678,508	0.09	0.24
Cash and cash equivalents as at 1 October	29,015,933	25,337,424	1.89	1.65
Cash and cash equivalents as at 30 September	30,545,235	29,015,932	1.98	1.89

Note: The exchange rate used to convert Taka to Rs. <0.651> / <Taka> (Rs. <0.647> / <Taka>)

“The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them.”

MBL INDUSTRIES LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 30 September 2011

	Share capital Taka	Accumulated profit/(loss) Taka	Total Taka	Share capital Rs. Crore	Accumulated profit/(loss) Rs. Crore	Total Rs. Crore
Balance at 1 October 2009	1,000,000	31,153,363	32,153,363	0.07	2.17	2.24
Loss for the year	–	(6,154,564)	(6,154,564)	–	(0.43)	(0.43)
Balance at 30 September 2010	<u>1,000,000</u>	<u>24,998,799</u>	<u>25,998,799</u>	<u>0.07</u>	<u>1.74</u>	<u>1.81</u>
Balance at 1 October 2010	1,000,000	24,998,799	25,998,799	0.06	1.62	1.68
Profit for the year	–	2,160,849	2,160,849	–	0.14	0.14
Balance at 30 September 2011	<u>1,000,000</u>	<u>27,159,648</u>	<u>28,159,648</u>	<u>0.06</u>	<u>1.76</u>	<u>1.82</u>

Note: The exchange rate used to convert Taka to Rs. <0.651> / <Taka> (Rs. <0.647> / <Taka>)

“The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them.”

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30, SEPTEMBER 2011

1. Company profile

MBL Industries Limited is a private limited company incorporated on 2 August 2003 in Bangladesh under the Companies Act 1994. Currently the authorized capital of the company is Tk 10,000,000 divided into 1,000,000 ordinary shares of Taka 10 each. The company is a wholly owned subsidiary of Marico Middle East FZE(MME) which is a 100% subsidiary of Marico Limited, India.

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.

1.2 Nature of business

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

2. Basis of preparation and significant accounting policies

2.1 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.

2.2 Date of authorization

The Board of Directors has authorised these financial statements on ---

2.3 Basis of measurement

The financial statements have been prepared on historical cost convention.

2.4 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.

2.5 Reporting Period

Financial statements of the company covered one year from 1 October 2010 to 30 September 2011 and is followed consistently.

2.6 Use of estimates and judgments

The preparation of the financial statements in conformity with BFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts 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 recognised in the period in which the estimate is revised and in any future periods affected.

2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this purpose the directors continue to adopt going concern basis in preparing the financial statements.

The main operation of the entity was discontinued since 2009. No sales has taken place for the year.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30, SEPTEMBER 2011

3.1 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.

3.2 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 Statement of Cash Flows.

3.3 Provisions

A provision is recognised 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 require to settle the obligation and a reliable estimate thereof can be made.

3.4 Taxation

Income tax expenses comprises current and deferred tax . Current tax and deferred tax is recognised in the statement of comprehensive income except to the extent that its relates to a item recognised directly in equity in which case it is recognized in equity.

3.4.1 Current tax

Current tax is 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.

3.4.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. Deferred tax is not recognised for:

- a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss.
- b) Temporary differences related to investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and
- c) Taxable temporary differences arising on the initial recognition of good will.

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.

Deferred tax assets and liabilities are offset if there is 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 there tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which 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.

3.5 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30, SEPTEMBER 2011**

4. Share capital

	2011 Taka	2010 Taka	2011 Rs. Crore	2010 Rs. Crore
Authorized:				
1,000,000 Ordinary shares of Tk 10 each	10,000,000	10,000,000	0.65	0.65
Paid up:				
100,000 Ordinary shares of Tk 10 each fully paid up in cash	1,000,000	1,000,000	0.07	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	0.07
Directors (as joint holders with MME)	4	40	–
	<u>100,000</u>	<u>1,000,000</u>	<u>0.07</u>

5. Advance Income Tax

	2011 Taka	2010 Taka	2011 Rs Crore	2010 Rs Crore
Opening balance	39,765,879	37,893,812	2.59	2.45
Add: Advance tax paid	243,678	1,872,067	0.02	0.12
	<u>40,009,557</u>	<u>39,765,879</u>	<u>2.61</u>	<u>2.57</u>

6. Accrued interest

Interest on fixed deposit	1,142,260	734,041	0.07	0.05
	<u>1,142,260</u>	<u>734,041</u>	<u>0.07</u>	<u>0.05</u>

7. Cash and cash equivalents

Cash in hand	–	–	–	–
Fixed deposit:				
Bank Asia Limited	5,000,000	5,000,000	0.33	0.32
Delta Brac Housing Finance Corporation Ltd.	20,000,000	20,000,000	1.30	1.29
	<u>25,000,000</u>	<u>25,000,000</u>	<u>1.63</u>	<u>1.61</u>
Cash at banks:				
Citibank, N.A. (SND Account)	4,827,570	3,305,397	0.31	0.21
Standard Chartered Bank (Call deposit account)	717,665	709,849	0.05	0.05
Commercial Bank of Ceylon PLC	–	686	–	–
	<u>30,545,235</u>	<u>29,015,932</u>	<u>1.99</u>	<u>1.87</u>

8. Liability for expenses

Audit fees	109,750	150,000	0.01	0.01
Creditors for imports	473,324	473,324	0.03	0.03
	<u>583,074</u>	<u>623,324</u>	<u>0.04</u>	<u>0.04</u>

9. Provision for tax

Opening balance	37,799,831	37,799,831	2.46	2.45
Provision for the year	–	–		
Closing balance	<u>37,799,831</u>	<u>37,799,831</u>	<u>2.46</u>	<u>2.45</u>

10. Payable to Holding Company

Bank guarantee commission	3,609,981	3,609,981	0.24	0.23
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30, SEPTEMBER 2011**

11. Other liabilities				
	2011	2010	2011	2010
	Taka	Taka	Rs Crore	Rs Crore
VAT and SD payable	1,463,917	1,463,917	0.10	0.09
Tax deducted from vendors' bills	80,600	20,000	0.01	-
	1,544,517	1,483,917	0.11	0.09
12. Turnover				
Product				
Parachute	-	3,068,172	-	0.20
Hair code	-	14,377,289	-	0.93
Parachute extension	-	402,208	-	0.03
	-	17,847,669	-	1.16
13. Cost of sales				
Product				
Parachute	-	3,688,662	-	0.24
Hair code	-	8,516,193	-	0.55
Parachute extension	-	2,983,052	-	0.19
	-	15,187,906	-	0.98
14. General and administrative expenses				
Salaries and allowances	-	(749,749)	-	(0.05)
Professional charges	672,750	209,000	0.04	0.01
Communication expenses	-	14,000	-	-
Audit fees	-	131,750	-	0.01
Bank charges	11,398	71,903	-	-
Insurance	-	24,917	-	-
Depreciation	-	1,278	-	-
Loss on sale of fixed assets	-	2,555	-	-
	684,148	(294,347)	0.04	(0.03)
15. Selling and distribution expenses				
Advertisement	-	10,645,009	-	0.69
Market research expenses	-	424,149	-	0.03
	-	11,069,158	-	0.72
16. Finance income				
	2011	2010	2011	2010
	Taka	Taka	Rs Crore	Rs Crore
Interest on savings account	45,528	238,874	-	0.02
Interest on fixed deposits	2,799,469	1,674,123	0.18	0.11
Exchange gain	-	148,981	-	0.01
	2,844,997	2,061,978	0.18	0.14
17. Current tax expenses (unrecognised)				
Current year tax expense	244,346	-	0.02	-
Prior year tax expense				
For 2009	3,067,454	-	0.20	-
For 2010	880,340	-	0.06	-
	4,192,140	-	0.28	-

The above provisions have not been recognised in the financial statements. However, tax had been paid for the year 2009 and 2010 by the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30, SEPTEMBER 2011**

18. Number of employees

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 was also done by the employees of Marico Bangladesh Limited.

19. General

Previous year's figures have been rearranged wherever considered necessary to conform to current year's presentation.

KAYA LIMITED

Board of Directors

Harsh Mariwala

Ravindra Mariwala

Rajen Mariwala (appointed w.e.f November 1, 2011)

Rishabh Mariwala (appointed w.e.f November 1, 2011)

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 Ninth Annual Report together with audited accounts of your Company for the year ended March 31, 2012.

FINANCIAL RESULTS - AN OVERVIEW

During the year under review, your Company reported total revenue of Rs. 141.74 Crores inclusive of Rs 11.96 crore towards dividend income received from Derma Rx International Aesthetics Pte Limited and an operating loss of Rs. 2.94 crore.

	Year ended March 31,	
	2012	2011
	Rs. Crore	Rs. Crore
Total Revenue	141.74	108.02
Profit / (Loss) Before Tax and Exceptional Items	(2.51)	(33.53)
Exceptional Items	(0.46)	(7.74)
Profit / (Loss) Before Tax	(2.97)	(41.27)
Profit / (Loss) Before Tax from Continuing Operations	(2.97)	(40.86)
Less : Provision for Tax for Current Period (Fringe Benefit Tax +Deferred Tax)	(0.02)	(0.00)
Profit / (Loss) after Tax from Continuing Operations	(2.94)	(40.86)
Profit / (Loss) Before Tax from Discontinuing Operations	(0.00)	(0.40)
Less: Provision for Tax for Current Period (Fringe Benefit Tax +Deferred Tax)	(0.00)	(0.00)
Profit / Loss after Tax from Discontinuing Operations	(0.00)	(0.40)
Total Profit / (Loss) after Tax for current period	(2.94)	(41.26)
Add: Profit / (Loss) Brought Forward	(72.06)	(30.79)
Profit / (Loss) carried forward	<u>(75.00)</u>	<u>(72.05)</u>

DISTRIBUTION TO SHAREHOLDERS

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 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. The company had developed and deployed Point of Sale (POS) software last year 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, additional amounts of INR 10.78 crore (~USD 2 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. Total deferred collection as on 31st March 2012 stands at 33.95 Crore. 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 refinement of the accounting estimates, your company's total revenue would have been higher by INR 10.78 Crores and would have resulted in a year on year growth of 34%.

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 additional impairment of Rs. 0.46 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.

Your company's turnover comprises service revenue and product revenue. In FY12, the company clocked a service turnover of Rs. 98.98 Crores as against Rs. 81.39 Crores during FY11. The sale of the skin care products of your Company increased to Rs. 30.65 Crores in FY12 from Rs. 23.73 Crores in FY11.

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

OTHER CORPORATE DEVELOPMENTS

NEW RETAIL SET UP

During the year your Company initiated a change in its positioning from 'cure' to 'cure + care'. The new services introduced to take care of regular skin care needs received good traction. The focus on increasing revenue from products, led by introducing products from the Derma Rx range into the clinics in India has resulted in the contribution from the sales of products increasing from 13% to about 23%. These initiatives also helped Kaya business in India and Middle East to achieve the same clinic growth of 15%. Sustaining same store growth would reinforce Marico's belief in the Kaya Business model, especially as we perceive a significant long term opportunity in skin care solutions.

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., Kaya Spot HairFree, Aqua Fairness, Juvederm XC, Kaya Signature Face Therapies, Aqua Fairness Luxe, Gold Caviar Riche Face Therapy were launched. The R&D team also developed new products viz., Hyaluronic Moisturising Serum, Firm & Lift Serum and Skin Rejuvenating Serum, Insta Brightening Micro Mask .

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 No. "30 & 31".

PUBLIC DEPOSITS

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

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, 2012 and the loss of your Company for the year ended March 31, 2012;

DIRECTORS' REPORT

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

Changes in the Board of Directors

Mr. Rajen Mariwala and Mr. Rishabh Mariwala were appointed with effect from November 1, 2012 as a Non-executive and Additional Directors of the Company.

Resignation of Mr. Ajay Pahwa

Mr. Ajay Pahwa resigned from the Board of Directors of the Company as "Director & Manager" of the Company with effect from November 1, 2011, however he continues to be the "Chief Executive Officer" of the Company.

Appointment of Chairman & Managing Director

The Shareholders of the Company at the Extra Ordinary General Meeting of the Company held on 18th November, 2011 have approved appointment of Mr. Harsh Mariwala as Managing Director of the Company without remuneration for a period of five years with effect from 1st November, 2011.

Director retiring by rotation

Dr. Ravi Mariwala, Director of the Company, is liable to retire pursuant to the provisions of Section 256 and 262 of the Companies Act, 1956 respectively 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.

COST AUDITORS

Your Company appointed M/s. Ashwin Solanki & Associates, Cost Accountants, Mumbai, to conduct the cost audit compliance for the Financial Year ended March 31, 2012.

INTERNAL AUDITORS

Aneja Associates, a Chartered Accountant Firm, has been associated with your Company as its internal auditor partnering your Company in the area of risk management and internal control systems. This role has now been taken over by Ernst & Young, a Chartered Accountants Firm, who have been appointed as the new internal auditor of the Company for the financial year 2012-13 and onward. Your Company places on record its sincere appreciation for the services rendered by Aneja Associates as internal auditors of the Company.

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 3, 2012

HARSH MARIWALA

CHAIRMAN & MANAGING DIRECTOR

AUDITORS' REPORT

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, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, 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. 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss 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, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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

Firm Registration Number: 301112E

Chartered Accountants

Uday Shah

Partner

Membership Number F - 46061

Place : Mumbai

Date : May 3, 2012

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, 2012.

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) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
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 aggregated to Rs. 1,372,627,847 and Rs. 1,021,477,149, respectively.
(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 and 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 and reimbursement of expenses. The transactions being nature of interest free loan and reimbursement, 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. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
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 regular in depositing the undisputed statutory dues, including provident fund, employees'

ANNEXURE TO AUDITOR'S REPORT

state insurance, income tax, sales tax, service tax, customs duty other material statutory dues, as applicable, with the appropriate authorities. As explained to us, the provisions of 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, the particulars of dues of income-tax, service tax and sales tax as at March 31, 2012 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income-tax Act 1961	Income tax	61,853,034	Assessment year 2009 – 2010	Commissioner of Income-tax (Appeals)
Finance Act 1994	Service tax	3,746,436	December 1, 2004 to March 31, 2008	Joint Commissioner – Service tax
Local sales tax acts of various states	Sales tax and VAT	1,404,265	2004-2005 to 2008-2009	The appellate deputy commissioner / Commercial tax officer

10. The accumulated losses of the Company exceeds fifty percent of its net worth as at March 31, 2012 and it has not incurred cash losses in the financial year ended on that date but has incurred cash losses in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not taken loans from any financial institution or bank or debenture holders as at the balance sheet date.
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. The Company has not obtained any term loans.
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, funds raised on a short-term basis, aggregating Rs. 247,724,146, have been used 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 has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
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 any such case by the Management.

For Price Waterhouse

Firm Registration Number: 301112E

Chartered Accountants

Uday Shah

Partner

Membership Number F - 46061

Place : Mumbai

Date : May 3, 2012

KAYA LIMITED

BALANCE SHEET

		As at March 31,	
	Note	2012 Rs. Crore	2011 Rs. Crore
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	14.50	14.50
Reserves and surplus	4	(59.09)	(56.14)
		(44.59)	(41.64)
NON - CURRENT LIABILITIES			
Long-term borrowings	5	102.15	108.02
Long-term provisions	6	3.64	3.34
		105.79	111.36
CURRENT LIABILITIES			
Trade payables	7	10.39	9.07
Other current liabilities	8	40.33	31.96
Short-term provisions	9	1.59	1.08
		52.31	42.11
Total		113.52	111.83
ASSETS			
NON - CURRENT ASSETS			
Fixed assets			
- Tangible assets	10	43.14	48.46
- Intangible assets	10	0.05	0.16
- Capital work-in-progress		2.16	0.28
		45.35	48.90
Non-current investments	11	22.98	22.98
Long-term loans and advances	12	17.38	15.56
Other non-current assets	13	0.27	0.27
		40.63	38.82
CURRENT ASSETS			
Inventories	14	15.63	13.95
Trade receivables	15	0.25	0.27
Cash and bank balances	16	1.29	0.98
Short-term loans and advances	17	9.40	8.20
Other current assets	18	0.96	0.71
		27.53	24.11
Total		113.52	111.83

As per our attached report of even date

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

Uday Shah

Partner

Membership No. : F-46061

Place : Mumbai

Date : May 3, 2012

For and on behalf of the Board of Directors

HARSH MARIWALA

RAJEN MARIWALA

Chairman and Managing Director

Director

Deepali Heroor

Company Secretary

KAYA LIMITED

STATEMENT OF PROFIT AND LOSS

	SCHEDULE	Year Ended March 31,	
		2012 Rs. Crore	2011 Rs. Crore
REVENUE :			
Revenue from operations	21	129.63	105.12
Other income	22	12.11	2.89
TOTAL REVENUE		141.74	108.02
EXPENSES:			
Cost of material consumed	23	7.70	5.49
Purchases of stock-in-trade		1.51	1.83
Changes in inventories of finished goods, work-in-progress and stock-in-trade - (Increase) / decrease	24	0.14	(0.73)
Employee benefits expenses	25	30.48	31.19
Finance costs	26	2.02	1.71
Depreciation and amortisation expenses	10	9.57	16.25
Other expenses	27	92.83	85.79
TOTAL EXPENSES		144.25	141.54
PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX		(2.51)	(33.52)
Exceptional Items - expenses	28	0.46	7.74
PROFIT / (LOSS) BEFORE TAX		(2.97)	(41.27)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(2.97)	(40.86)
Tax Expenses			
- Current tax (Refer note 40(a))		-	-
- Deferred tax (Refer note 40(b))		-	-
- Fringe benefit tax - prior year revenue		(0.02)	(0.00)
PROFIT / (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		(2.94)	(40.86)
PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUING OPERATIONS	33	-	(0.40)
Tax expenses of discontinuing operations		-	-
PROFIT / (LOSS) AFTER TAXATION FROM DISCONTINUING OPERATIONS		-	(0.40)
PROFIT / (LOSS) FOR THE YEAR		(2.94)	(41.26)
Earnings per equity share: [Nominal Value per share: Rs.10 (Previous year - Rs.10)]	39		
Basic		(2.03)	(28.46)
Diluted		(2.03)	(28.46)

As per our attached report of even date

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

Uday Shah
Partner
Membership No. : F-46061
Place : Mumbai
Date : May 3, 2012

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman and Managing Director
RAJEN MARIWALA Director

Deepali Heroor Company Secretary

CASH FLOW STATEMENT

	Year Ended March 31,	
	2012	2011
	Rs. Crore	Rs. Crore
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	(2.97)	(41.27)
Adjustments for:		
Depreciation and amortisation expenses	9.57	16.25
Provision for impairment of fixed assets (Refer note 28)	0.46	7.74
Finance costs	2.02	1.71
Interest income	(0.01)	(1.56)
Loss / (profit) on sale / discarding of assets (net)	(0.07)	2.47
Provision for impairment of fixed assets written back (Refer note 27)	–	(2.34)
Dividend Income	(11.96)	–
Provision for doubtful debts / advances	–	0.00
	(0.00)	24.29
Operating profit / (loss) before working capital changes	(2.97)	(16.98)
Adjustments for:		
(Increase) / decrease in inventories	(1.68)	(3.85)
(Increase) / decrease in trade receivables	0.02	0.00
(Increase) / decrease in loans and advances and other current and non-current assets	(0.40)	(2.03)
Increase / (decrease) in trade payables and other current and non-current liabilities and provisions	10.50	22.78
	8.44	16.90
Cash generated from / (used in) operations	5.48	(0.08)
Taxes paid	2.83	0.21
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	2.64	(0.29)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(6.68)	(5.57)
Sale of fixed assets	0.29	0.58
Investments in a subsidiary	–	(22.98)
Dividend income received	11.96	–
Interest income received	0.00	1.54
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	5.57	(26.43)
C CASH FLOW FROM FINANCING ACTIVITIES		
Loans taken / (repaid) from the Holding Company (net of repayments)	(5.87)	28.05
Finance costs paid	(2.02)	(1.71)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	(7.89)	26.34
D NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	0.31	(0.38)
E Cash and cash equivalents - opening balance (Refer Note 16)	0.98	1.36
F Cash and cash equivalents - closing balance (Refer Note 16)	1.29	0.98

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.
- 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

Uday Shah

Partner

Membership No. : F-46061

Place : Mumbai

Date : May 3, 2012

For and on behalf of the Board of Directors

HARSH MARIWALA

RAJEN MARIWALA

Deepali Heroor

Chairman and Managing Director

Director

Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 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.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to 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. Tangible assets, intangible assets and capital work-in-progress

Tangible assets and intangible assets are stated at cost of acquisition, less accumulated depreciation/amortisation and impairments, 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.

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the year end.

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 depreciation rates considered for the following items are higher than the rates stipulated in Schedule XIV to the Companies Act, 1956:"

Assets	Rates (p.a.)
Computer hardware, related peripherals etc.	33.33% 3 years
Technologically advanced machineries	14.29% to 50%
Other plant and equipment	11.11% to 50%
Furniture and fixtures (Including lease hold improvements)	11.11%

NOTES TO FINANCIAL STATEMENTS

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

2) Intangible assets

Intangible assets are amortised over their respective individual estimated useful lives on a straight line basis, but not exceeding the period given here under:

Assets	Rates (p.a.)
Computer softwares	33.33%
Trade marks / copyrights	10.00%

e. Impairment

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

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 goods, stock-in-trade 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.

NOTES TO FINANCIAL STATEMENTS

- 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, which is when risks and rewards of ownership passed to the customers, and are recorded net of trade discounts, service tax, 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 Statement of Profit and Loss 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.”
 - 2) Actuarial gains and losses due to changes in actuarial assumptions are recognised immediately in the Statement of Profit and Loss 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 Statement of Profit and Loss. “
 - 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 Statement of Profit and Loss.”
- 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 substantively 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. Assets taken on lease:
 - “(i) The assets taken on finance lease are capitalized at the inception of the lease at the lower of the fair value of the leased asset and present value of the minimum lease payments. The corresponding amount is shown as lease liabilities. The principal component in the lease rental is adjusted against the lease liability and the interest component is charged to the Statement of Profit and Loss.”
 - “(ii) Operating lease payments are recognized as expenditure in the Statement of 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.”

NOTES TO FINANCIAL STATEMENTS

n. 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.

o. Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

p. Earnings Per Share

“Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company’s earnings per share is the net profit for the year after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.”

NOTES TO FINANCIAL STATEMENTS

3. SHARE CAPITAL

		As at March 31,			
		2012	2011		
		Rs. Crore	Rs. Crore		
(a)	Authorised 20,000,000 (20,000,000) equity shares of Rs. 10/- each	20.00	20.00		
(b)	Issued, subscribed and fully paid-up 14,500,000 (14,500,000) equity shares of Rs. 10/- each fully paid-up	14.50	14.50		
	Total	14.50	14.50		
(c)	Reconciliation of number of shares				
		"Number of Shares"	Amount	"Number of Shares"	Amount
	Balance as at the beginning of the year	14,500,000	145,000,000	14,500,000	145,000,000
	Shares issued during the year	–	–	–	–
	Balance as at the end of the year	14,500,000	145,000,000	14,500,000	145,000,000

(d) "Rights, preferences and restrictions attached to equity shares -

The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding."

(e) Shares held by the holding company:

Entire share capital is held by Marico Limited, the holding company, including 6 (6) equity shares held by its nominees.

(f) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Marico Limited and its nominees	14,500,000	100%	14,500,000	100%

NOTES TO FINANCIAL STATEMENTS

	As at March 31,	
	2012 Rs. Crore	2011 Rs. Crore
4. RESERVES AND SURPLUS		
Securities premium reserve (Refer note 10 (3))	15.91	15.91
Surplus / (Deficit) in Statement of profit and loss		
Balance as at the beginning of the year	(72.06)	(30.79)
Loss for the year	(2.94)	(41.26)
Balance as at the end of the year	(75.00)	(72.06)
Total	(59.09)	(56.14)
5. LONG-TERM BORROWINGS		
Unsecured:		
Loan from the holding company - Interest free	102.15	108.02
Total	102.15	108.02
The above loan is given by the holding company to provide long-term funding support to the Company. There are no specific terms of repayment of the loan (Refer note 34).		
6. LONG-TERM PROVISIONS		
Provision for Employee Benefits:		
- Provision for gratuity (Refer note 35)	0.42	0.52
	0.42	0.52
Other provisions:		
- Provision for equalisation of rent expenses	2.03	1.44
- Provision for site restoration cost	1.19	1.38
	3.22	2.82
Total	3.64	3.34
a) Provision for equalisation of rent expenses represents provision made towards additional liability created to recognise rent expenses on straight line basis over the lease period.		
b) Provision for site restoration cost		
Balance as at the beginning of the year	1.39	1.39
Additions	0.03	-
Balance as at the end of the year	1.43	1.39
Classified as Non-current:	1.19	1.38
Classified as current:	0.24	0.02
Total	1.43	1.39
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.		

NOTES TO FINANCIAL STATEMENTS

7. TRADE PAYABLES

	As at March 31,	
	2012 Rs. Crore	2011 Rs. Crore
Trade payables	10.39	9.07
Total	10.39	9.07

a) The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises

Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

	As at March 31, 2012	As at March 31, 2011
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end.	0.01	–
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end.	–	–
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest paid other than under Section 16 of MSMED Act to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest paid under Section 16 of MSMED Act to suppliers registered under the MSMED Act beyond the appointed day during the year.	–	–
Interest due and payable towards suppliers registered under MSMED Act for payments already made.	–	–
Further interest remaining due and payable for earlier years.	–	–

b) Trade payables includes due to subsidiary Rs. 20,667,247 (Previous year: Rs. 5,796,520)

8. OTHER CURRENT LIABILITIES

	As at March 31,	
	2012 Rs. Crore	2011 Rs. Crore
Advances from customers	34.21	23.50
Book overdraft	1.18	0.61
Due to the holding company	0.85	4.90
Statutory dues including provident fund and tax deducted at source	1.57	1.15
Creditors for capital goods	0.02	0.22
Employee benefits payable	1.83	1.26
Others	0.67	0.32
Total	40.33	31.96

NOTES TO FINANCIAL STATEMENTS

9. SHORT-TERM PROVISIONS

	As at March 31,	
	2012	2011
	Rs. Crore	Rs. Crore
Provision for employee benefits:		
Provision for gratuity	0.19	0.06
Provision for compensated absences	0.54	0.62
	<u>0.73</u>	<u>0.68</u>
Other provisions:		
Provision for lease termination cost	0.13	0.22
Provision for equalisation of rent expenses (Refer note 6(a))	0.50	0.16
Provision for site restoration cost	0.24	0.02
	<u>0.86</u>	<u>0.40</u>
Total	<u>1.59</u>	<u>1.08</u>
Provision for lease termination cost		
Balance as at the beginning of the year	0.22	0.22
Amounts used	0.09	–
Balance as at the end of the year	<u>0.13</u>	<u>0.22</u>

Provision for lease termination cost are towards lock in period rent in respect of certain clinics closed in an earlier year, which are recognized to the extent it is more than probable that outflow of resources will be required to settle the transactions.

NOTES TO FINANCIAL STATEMENTS

(Amount in Rs. Crore)

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOK				
	As at April 1, 2011	Additions	Deductions / Adjustments	As at March 31, 2012	For the year (Refer Note 2 below)	Deductions / Adjustments	As at March 31, 2012	Provision for Impairment as at April 1, 2011	Charge / (Reversal) for the year (Refer note d, e below and note 28)	Provision for Impairment as at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets												
Buildings	16.87	-	-	16.87	0.27	-	1.24	-	-	-	15.63	15.91
"Plant and equipment (Refer note c below)"	69.39	3.80	1.03	72.17	6.61	0.93	48.94	4.61	1.11	5.71	17.51	21.52
Office equipment	4.53	0.18	0.01	4.70	0.65	0.01	2.51	0.36	0.12	0.48	1.71	2.30
Furniture and fixtures (Refer notes a and c below)	19.04	0.33	0.21	19.16	1.88	0.10	9.35	2.74	(0.92)	1.82	7.99	8.74
Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-	-
	-	0.44	-	0.44	0.04	-	0.04	-	0.12	0.12	0.29	-
Total - A	109.84	4.75	1.25	113.34	9.45	1.04	62.08	7.71	0.42	8.12	43.14	48.46
Intangible assets												
Computer softwares	1.96	0.03	0.00	1.99	0.11	0.00	1.87	0.03	0.04	0.07	0.04	0.16
Trademarks / copyrights	-	-	-	-	-	-	-	-	-	-	-	-
	-	0.02	-	0.02	0.00	-	0.00	-	-	-	0.01	-
Total - B	1.96	0.05	0.00	2.00	0.11	0.00	1.87	0.03	0.04	0.07	0.05	0.16
Total - A + B	111.79	4.80	1.25	115.34	9.57	1.04	63.95	7.74	0.46	8.20	43.19	48.63
As at March 31, 2011	110.48	6.18	4.87	111.79	16.25	1.82	55.43	2.34	5.41	7.74	48.63	-

Notes:

- Furniture and fixtures also includes leasehold improvements, the amounts for which is not separately identifiable.
- Depreciation for the year includes accelerated depreciation of Rs. Nil (Previous year Rs. 30,946,158) due to revision of useful life of certain fixed assets and charge of Rs. Nil (Previous year Rs. 12,427,950) on account of pre-operative expenses incurred on setting up of the clinics, which were capitalised in the earlier years.
- During the year ended March 31, 2007, the Company had carried out financial restructuring scheme ('Scheme') under the relevant provisions of the Companies Act, 1956. The Scheme was approved by the Shareholders on February 7, 2007 and subsequently by Hon'ble High Court vide its order dated April 16, 2007. In terms of the Scheme, the carrying amount of certain items of plant and equipments to the extent of Rs. 70,825,406 and furniture and fixtures to the extent of Rs. 115,690,088 and related deferred tax liability of Rs. 1,811,039 and loss of Rs. 240,000,000 were adjusted against the balance in Securities Premium Reserve.
- Impairment charge of Rs. 4,566,161 (Previous year Rs. 77,421,259) is reflected as "Exceptional items" in the Statement of Profit and Loss.
- Impairment charge for the previous year was net of reversal of impairment provision of Rs. 23,363,575 upon sale or discarding of assets.

NOTES TO FINANCIAL STATEMENTS

	As at March 31,	
	2012 Rs. Crore	2011 Rs. Crore
11. NON-CURRENT INVESTMENTS		
Long-term		
Non-trade investments (Valued at cost unless otherwise stated)		
Investments in equity instruments		
Investment in Subsidiary - Unquoted		
Derma – Rx International Aesthetics Pte Limited (wholly owned)	22.98	22.98
7,000,000 (Previous year 7,000,000) equity shares of 1 SGD each, fully paid *		
* These shares have been pledged as a security for loans taken by the said subsidiary		
Total	22.98	22.98
Aggregate amount of unquoted investments (At cost)	22.98	22.98
12. LONG-TERM LOANS AND ADVANCES		
(Unsecured and considered good, unless otherwise stated)		
Capital advances	0.93	0.18
Security deposits	12.50	14.24
Balance with Government Authorities (Refer note 19)	0.22	0.03
Prepaid expenses	0.64	0.87
Income tax payments (net of provision for income tax Rs. Nil (Previous year Rs. Nil)*)	3.10	0.24
Total	17.38	15.56
* Income tax payments includes Rs. 30,926,510 (Previous year Rs. Nil) towards disputed tax matters pending before appellate authorities. (Refer note 19)		
13. OTHER NON-CURRENT ASSETS		
(Unsecured and considered good, unless otherwise stated)		
Term deposits with banks with maturity period more than 12 months @	0.15	0.15
Interest accrued on long-term deposits with banks	0.06	0.05
Fringe benefit tax (net)	0.07	0.08
Total	0.27	0.27
@ Term deposits with bank includes Rs. 71,613 (Previous year Rs. 50,000) deposited with sales tax authorities and Rs. 1,392,419 (Previous year Rs. 1,441,059) held as lien by bank against guarantees issued on behalf of the Company.		
14. INVENTORIES		
(Refer note 2(g) for basis of valuation)		
Stores, spares and consumables	7.77	7.71
Raw materials	3.58	1.72
Packing materials	1.73	1.84
Work-in-progress #	0.39	0.09
Finished goods # [Includes goods in transit Rs. Nil (Previous year Rs. 1,069,664)]	1.83	1.82
Stock-in-trade #	0.32	0.77
Total	15.63	13.95
# Skin care products		

NOTES TO FINANCIAL STATEMENTS

	As at March 31,	
	2012 Rs. Crore	2011 Rs. Crore
15. TRADED RECEIVABLES		
Unsecured, considered good :		
Outstanding for a period exceeding 6 months from the date they are due for payment	0.01	–
Others	0.25	0.27
	<u>0.25</u>	<u>0.27</u>
Unsecured, considered doubtful :		
Outstanding for a period exceeding 6 months from the date they are due for payment	0.01	0.00
Others	–	0.01
	<u>0.01</u>	<u>0.01</u>
Less : Provision for doubtful debts	0.01	0.01
Total	<u>0.25</u>	<u>0.27</u>
16. CASH AND BANK BALANCE		
Cash and cash equivalents:		
Cash on hand	0.86	0.62
Bank balances:		
In current accounts	0.43	0.36
Total	<u>1.29</u>	<u>0.98</u>
17. SHORT-TERM LOANS AND ADVANCES		
(Unsecured and considered good, unless otherwise stated)		
Loans and advances to related parties (Refer Note 37)	1.08	2.75
Other loans and advances		
Advances to suppliers	3.44	2.50
Balances with Government Authorities	0.78	0.93
Security deposits	2.90	0.91
Prepaid expenses	1.10	0.97
Loans and advances to employees	0.10	0.13
Total	<u>9.40</u>	<u>8.20</u>
18. OTHER CURRENT ASSETS		
(Unsecured and considered good, unless otherwise stated)		
Insurance claims receivable	0.13	0.19
Others:		
Unsecured, considered good	0.83	0.52
Unsecured, considered doubtful	0.06	0.06
	<u>0.89</u>	<u>0.58</u>
Less: Provision for doubtful advances	0.06	0.06
	<u>0.83</u>	<u>0.52</u>
Total	<u>0.96</u>	<u>0.71</u>

NOTES TO FINANCIAL STATEMENTS

	As at March 31,	
	2012 Rs. Crore	2011 Rs. Crore
19. CONTINGENT LIABILITIES		
Claims against the Company not acknowledge as debts		
- Income tax matters (Refer note 12)	6.19	–
- Sales tax matters	0.37	0.37
- Services tax matters	0.37	0.37
- Lease termination cost	–	0.11
- Claims by the customers	1.11	1.11
Total	8.04	1.97
(a) Guarantees issued by bank on behalf of the Company is Rs. 1,456,059 (Previous year Rs. 1,506,059)		
(b) The Company has been sanctioned cash credit and letter of credit facilities of Rs. 8.00 Crore (Rs. 8.00 Crore) by banks. These facilities are guaranteed by the holding company. Amount outstanding towards these facilities on account of letter of credit is Rs.Nil (Previous year Rs. 0.09 Crore).		
20. CAPITAL AND OTHER COMMITMENTS		
(a) Capital Commitments		
Estimated value of contracts in capital account remaining to be executed (net of capital advances)	0.31	0.58
(b) Other Commitments		
Lease termination cost - representing lock-in-period rental under rental agreements	22.57	27.46

NOTES TO FINANCIAL STATEMENTS

	Year ended March 31,	
	2012 Rs. Crore	2011 Rs. Crore
21. REVENUE		
Revenue from operations:		
Sale of products	30.65	23.73
Sale of services	98.98	81.39
	<u>129.63</u>	<u>105.12</u>
Other operating revenues	0.00	0.00
Total	<u>129.63</u>	<u>105.12</u>
22. OTHER INCOME		
Interest income	0.01	1.56
Dividend income on long-term investments:		
- From subsidiaries	11.96	-
Net gain on foreign currency transactions and translations	0.06	1.30
Profit on sale / discarding of assets (net)	0.07	-
Liabilities written back to the extent no longer required	-	0.03
Other non operating income	0.00	-
Total	<u>12.11</u>	<u>2.89</u>
23. COST OF MATERIALS CONSUMED (Refer note 32)		
Raw materials consumed	4.63	2.58
Packing materials consumed	3.06	2.92
Total	<u>7.70</u>	<u>5.49</u>
24. CHANGES IN INVENTORY OF FINISHED GOODS, WORK IN PROGRESS AND STOCK-IN-TRADE		
(Increase) / Decrease in stocks		
Stock at the end of the year		
- Work-in-process	0.39	0.09
- Finished goods	1.83	1.82
- Stock-in-trade	0.32	0.77
Total A	2.54	2.68
Less: Stock at the beginning of the year:		
- Work-in-process	0.09	0.22
- Finished goods	1.82	1.28
- Stock-in-trade	0.77	0.45
Total B	<u>2.68</u>	<u>1.95</u>
(Increase) / decrease in stocks (B - A)	<u>0.14</u>	<u>(0.73)</u>

NOTES TO FINANCIAL STATEMENTS

	Year ended March 31,	
	2012 Rs. Crore	2011 Rs. Crore
25. EMPLOYEE BENEFITS EXPENSES		
Salaries, wages and bonus	19.63	19.83
Contribution to provident and other funds	1.08	1.15
Gratuity	0.09	0.32
Staff welfare expenses	2.76	2.68
Secoded employees cost	6.92	7.20
Total	<u>30.48</u>	<u>31.19</u>
26. FINANCE COSTS		
Interest expense	0.00	0.00
Bank charges and commission	2.02	1.71
Total	<u>2.02</u>	<u>1.71</u>
27. OTHER EXPENSES		
"Consumption of consumables and stores and spare parts (Refer note 32)"	20.41	16.92
Contract manufacturing expenses	1.09	0.87
Payments to consultants	13.90	14.31
Power and fuel	3.27	3.08
Rent (Refer note 38)	22.11	20.86
Repairs and maintenance:		
-Plant and machinery	0.27	0.59
-Building	5.47	5.49
-Others	1.50	1.73
	<u>7.24</u>	<u>7.80</u>
Insurance	0.21	0.16
Rates and taxes	0.69	0.70
Travelling, conveyance and vehicle expenses	2.55	2.02
Auditors' remuneration		
- Statutory audit fees	0.14	0.09
- Tax audit fees	0.02	0.02
- Out of pocket expenses	0.01	0.01
	<u>0.17</u>	<u>0.11</u>
Legal and professional charges	3.49	1.79
Printing, stationery and communication expenses	3.46	2.86
Advertisement and sales promotion	11.12	13.21
Freight forwarding and distribution expenses	0.23	0.18
Commission to selling agents	0.02	-
Provision for doubtful debts	-	0.00

NOTES TO FINANCIAL STATEMENTS

	Year ended March 31,	
	2012 Rs. Crore	2011 Rs. Crore
Irrecoverable balances written off	0.42	0.03
Loss on sale / discarding of assets (net)	–	2.47
Provision for impairment of fixed assets written back	–	(2.34)
	–	0.13
Miscellaneous expenses @	2.47	0.76
Total	92.83	85.79
@ Miscellaneous expenses includes Rs. 7,367,952 (Previous year Rs. Nil) on account of service tax charged by vendor which is not available for input credit.		
28. EXCEPTIONAL ITEMS		
Provision for impairment	0.46	7.74
Total	0.46	7.74
The Company has, as in the previous year, 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 net impairment provision of Rs. 4,566,161 (Previous year Rs. 77,421,259). The Company has considered a pre tax discount rate of 19% (Previous year 17.68%) for determining value in use.		
29. CIF VALUE OF IMPORTS		
Raw materials	4.60	0.60
Packing materials	2.05	2.21
Consumables	3.33	3.02
Capital goods	3.69	4.24
Finished goods	1.27	1.41
Total	14.94	11.47
30. EXPENDITURE IN FOREIGN CURRENCY		
Travelling	0.10	0.09
Professional fees	–	1.18
Total	0.10	1.27
31. EARNINGS IN FOREIGN CURRENCY		
Revenue from exports on FOB Basis	0.76	0.85
Services rendered	0.11	0.54
Dividend from subsidiary	11.96	–
Interest income	–	1.55
Others	0.17	0.37
Total	13.01	3.31

NOTES TO FINANCIAL STATEMENTS

	Year ended March 31,	
	2012 Rs. Crore	2011 Rs. Crore
32. DETAILS OF CONSUMPTION AND PURCHASES		
(a) Details of Raw materials / Packing materials consumed: @		
Chemicals	4.63	2.58
Packing materials	3.06	2.92
Total	7.70	5.49

@ Consumption of raw materials and packing materials include consumption by third parties under contract with the Company and consumption in respect of samples.

(b) Value of imported and indigenous materials consumed:

	March 31, 2012		March 31, 2011	
	Rs. Crore	%	Rs. Crore	%
Raw Materials:				
Imported	2.09	45%	0.48	19%
Indigenous	2.54	55%	2.10	81%
Total A	4.63		2.58	
Stores and spare parts:				
Imported	4.17	20%	2.37	14%
Indigenous	16.25	80%	14.54	86%
Total B	20.41		16.92	
Total A + B	25.04		19.49	

	Year ended March 31,	
	2012 Rs. Crore	2011 Rs. Crore
(c) Purchase of stock-in-trade:		
Skin care products	1.51	1.83
Total	1.51	1.83

NOTES TO FINANCIAL STATEMENTS

33. DISCONTINUING OPERATIONS

During the year ended March 31, 2010, the Company had discontinued operations of Kaya life clinics and had made provision for resultant cost / obligations. The discontinued operations were substantially completed in previous year ended March 31, 2011 and residual cost of Rs. 0.40 Crore was charged to the Statement of Profit and Loss.

34. GOING CONCERN:

The Company had been incurring losses since inception and is currently having negative net worth. 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, improved performance in the current year, 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.

35. 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, leave encashment 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 (Refer note 25)

	For the year ended March 31, 2012 (Rs. Cr.)	For the year ended March 31, 2011 (Rs. Cr.)
Contribution to provident fund	0.80	0.83
Contribution to employee state insurance contribution	0.28	0.32
	1.08	1.15

NOTES TO FINANCIAL STATEMENTS

c) Defined benefit plans (Gratuity unfunded):

	As at March 31, 2012 (Rs. Cr.)	As at March 31, 2011 (Rs. Cr.)
I. Actuarial assumptions:		
Discount rate	8.00%	7.50%
Rate of return on plan assets	--	--
Future salary rise	12.00%	12.00%
Attrition rate	45.00%	40.00%
II. Change in defined benefit obligations:		
Liability at the beginning of the year	0.58	0.29
Interest cost	0.05	0.03
Current service cost	0.12	0.15
Benefits paid	(0.06)	(0.04)
Actuarial (gain) / loss on obligations	(0.08)	0.14
Liability at the end of the year	0.61	0.58
III. Liability recognised in the Balance Sheet:		
Liability at the end of the year	0.61	0.58
Fair value of plan assets at the end of the year	--	--
Difference	(0.61)	(0.58)
Unrecognised past service cost	--	--
Liability recognised in the Balance Sheet	0.61	0.58
IV. Expenses recognised in the Statement of Profit and Loss:		
Current service cost	0.12	0.15
Interest cost	0.05	0.03
Expected return on plan assets	--	--
Net actuarial (gain) / loss to be recognized	(0.08)	0.14
Past service cost (vested and non vested benefits)	--	--
Expense recognised in Statement of Profit and Loss	0.09	0.32
V. Balance Sheet reconciliation:		
Opening net liability	0.58	0.29
Expenses as above	0.09	0.32
Benefits paid	(0.06)	(0.04)
Closing net liability	0.61	0.58

	March 31, 2012 (Rs. Cr.)	March 31, 2011 (Rs. Cr.)	March 31, 2010 (Rs. Cr.)	March 31, 2009 (Rs. Cr.)
VI. Experience adjustments: On plan liability (gain) / loss	(0.07)	0.15	0.03	(0.00)

	For the year ended March 31, 2012 (Rs. Cr.)	For the year ended March 31, 2011 (Rs. Cr.)
Closing net liability (as above)		
Classified as short-term	0.19	0.06
Classified as long-term	0.42	0.52

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012	March 31, 2011
Opening Balance of Compensated Absences (a)	0.62	0.49
Present value of Compensated Absences(As per actuary valuation) as at the year end (b)	0.54	0.62
Unfunded liability of Compensated Absences recognized in the Statement of Profit and Loss		
For the year (b – a)	(0.08)	0.13

36. SEGMENT REPORTING:

Primary Segment:

In accordance with Accounting Standard 17 – ‘Segment Reporting’ notified under Section 211(3C) of the Act, the Company has determined its business segment as ‘Skin Care’. Since the 100% of the Company’s business is from providing specialized skin care services and other related products, there are no other primary reportable segments. Thus, the segment revenue, segment results, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for depreciation during the year is reflected in the Financial Statement as of and for the year April 1, 2011 to March 31, 2012.

Secondary Segment:

The Company’s operations are such that all activities are confined only to India and hence, there is no secondary reportable segment relating to the Company’s business.

37. RELATED PARTY DISCLOSURES

a) Names of the related parties and nature of relationship:

(i) Where control exists:

- | | |
|-----------------------------------|---------------------------------------------------------------------------------------------|
| Holding Company | – Marico Limited |
| Subsidiary | – Derma Rx international Aesthetics Pte Limited (‘DIAL’) (with effect from April 22, 2010) |
| Wholly owned subsidiary of ‘DIAL’ | – The DRx Medispa Pte Limited (With effect from May 25, 2010) |
| | – The DRx Clinic Pte Limited (With effect from May 25, 2010) |
| | – DRx Investments Pte Limited (With effect from May 25, 2010) |
| | – DRx Aesthetics Sdn Bhd (With effect from May 25, 2010) |
| | – DRx Meditech Pte Limited (With effect from May 25, 2010 and upto February 28, 2011 |
| | – Merged with Derma Rx international Aesthetics Pte Limited with effect from March 1, 2011) |

(ii) Other related parties with whom transactions have taken place during the year:

- | | |
|-------------------|-----------------------------|
| Fellow Subsidiary | – Kaya Middle East FZE |
| Fellow Subsidiary | – Marico Bangladesh Limited |

(iii) Key managerial personnel:

- | | |
|--------------------|-----------------------------------------------------------------|
| Mr. Harsh Mariwala | – Chairman and Managing Director (With effect November 1, 2011) |
|--------------------|-----------------------------------------------------------------|

NOTES TO FINANCIAL STATEMENTS

Particulars	Holding company		Subsidiary		Fellow Subsidiaries		Total	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Transaction during the year								
Sale of goods	-	-	-	-	0.76	0.85	0.76	0.85
Purchase of stock-in-trade	-	0.00	2.26	0.64	-	0.57	2.26	1.21
Sale of fixed assets	-	-	-	-	0.17	0.37	0.17	0.37
Interest income	-	-	-	1.55	-	-	-	1.55
Rendering of services	-	-	-	-	0.11	0.54	0.11	0.54
Reimbursement of expenses incurred by the Company on behalf of	0.31	0.78	-	0.63	0.64	0.87	0.95	2.28
Reimbursement of expenses incurred for the Company (Seconded employee cost, rent, electricity and others)	7.55	7.99	0.01	-	-	-	7.57	7.99
Dividend received	-	-	11.96	-	-	-	11.96	-
Loans given	-	-	-	68.94	-	-	-	68.94
Loans repaid	-	-	-	68.94	-	-	-	68.94
Loans taken (net)	-	25.75	-	-	-	-	-	25.75
Loans repaid (net)	11.54	-	-	-	-	-	11.54	-
Balances Receivable / (Payable) as at year end								
Investment	-	-	22.98	22.98	-	-	22.98	22.98
Trade Payables	-	-	(2.07)	(0.58)	-	-	(2.07)	(0.58)
Short-term loans and advances	-	-	0.11	-	0.97	2.75	1.08	2.75
Other current liabilities	(0.85)	(4.90)	-	-	-	-	(0.85)	(4.90)
Long-term borrowings	(102.15)	(108.02)	-	-	-	-	(102.15)	(108.02)

KAYA LIMITED

NOTES TO FINANCIAL STATEMENTS

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties

Sr No.	Particular	Transactions (Rs. Cr.)		Balances Receivable / (Payable) (Rs. Cr.)	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
i	Sale of goods				
	Fellow Subsidiary : Kaya Middle East FZE, Dubai	0.38	0.39	–	–
	Fellow Subsidiary : Marico Bangladesh limited, MBL	0.39	0.46	–	–
ii	Purchase of stock-in-trade				
	Subsidiary : Derma Rx International Aesthetics Pte Ltd	2.26	0.64	(2.07)	(0.58)
	Fellow Subsidiary : DRx Meditech Pte Ltd.	–	0.57	–	–
iii	Sale of fixed assets				
	Fellow Subsidiary : Kaya Middle East FZE, Dubai	0.14	0.37	–	–
iv	Rendering of services				
	Fellow Subsidiary : Kaya Middle East FZE, Dubai	0.11	0.54	–	–
v	Interest income				
	Subsidiary : Derma Rx International Aesthetics Pte Ltd	–	1.55	–	–
vi	Reimbursement of expenses incurred by the company on behalf of				
	Holding company : Marico Ltd	0.31	0.78	–	–
	Subsidiary : Derma Rx International Aesthetics Pte Ltd	–	0.63	0.11	–
	Fellow Subsidiary : Kaya Middle East FZE, Dubai	0.64	0.87	0.97	2.75
vii	Reimbursement of expenses incurred for the Company (Secoded employee cost, rent, electricity and others)				
	Holding company : Marico Ltd	7.55	7.99	(0.85)	(4.90)
viii	Loans given				
	Subsidiary : Derma Rx International Aesthetics Pte Ltd	–	68.94	–	–
ix	Loans repaid				
	Subsidiary : Derma Rx International Aesthetics Pte Ltd	–	68.94	–	–
x	Loans taken				
	Holding company : Marico Ltd	–	25.75	–	–
xi	Loans repaid				
	Holding company : Marico Ltd	11.54	–	(102.15)	(108.01)
xii	Dividend received				
	Subsidiary : Derma Rx International Aesthetics Pte Ltd	11.96	–	–	–

NOTES TO FINANCIAL STATEMENTS

38. 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 cancellable operating lease:

	For the year ended March 31, 2012 (Rs. Cr.)	For the year ended March 31, 2011 (Rs. Cr.)
Lease payments recognized in the statement of Profit and Loss during the year *	22.11	20.86
Future minimum lease rentals payments payable:		
- not later than one year	20.79	16.18
- later than one year but not later than five years	39.02	42.45
- later than five years	2.05	1.70
	61.86	60.33

39. EARNINGS PER SHARE:

	For the year ended March 31, 2012 (Rs. Cr.)	For the year ended March 31, 2011 (Rs. Cr.)
Profit / (Loss) after tax (Rs. Crore)	(2.94)	(41.26)
Equity shares outstanding as at the year end	145,000,000	145,000,000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	145,000,000	145,000,000
Nominal value per equity share (Rs.)	10	10
Basic and diluted earnings per equity share (Rs.)	(2.03)	(28.46)

40. PROVISION FOR TAX EXPENSES:

- Provision for income tax is not made in view of assessable loss for the year.
- 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.

41. DERIVATIVE TRANSACTIONS:

NOTES TO FINANCIAL STATEMENTS

The Company has not entered into any derivative transactions during the year and there were no derivative transactions outstanding as on March 31, 2012. Net foreign currency exposure not hedged as at the year end were as under:-

	Currency	As at March 31, 2012	As at March 31, 2011	As at March 31,2012	As at March 31, 2011
Trade payables					
	EURO	6,270	--	425,633	--
	SGD	510,865	185,154	20,663,972	6,548,533
	AED	--	96	--	1,164
	USD	111,653	27,185	5,680,444	1,226,755
Short-term advances	USD	253,072	545,964	12,875,311	24,471,014
	AUD	2,400	--	118,018	--
	EURO	249	--	16,921	--
Trade receivables	USD	--	--	--	--

42. Research and Development expenses aggregating Rs. 0.39 Crore (Previous year Rs. 0.28 Crore) have been included under the relevant heads in the Statement of Profit and Loss.
43. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signature to Note 1 to 43

As per our attached report of even date

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

Uday Shah
Partner
Membership No. : F-46061
Place : Mumbai
Date : May 3, 2012

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman
RAJEN MARIWALA Director

Deepali Heroor Company Secretary

DERMA-RX INTERNATIONAL AESTHETICS PTE. LTD

Board of Directors

Ajay Kumar Pahwa

Naveen Duggal

Registered Office

213 Henderson Road,
01-08 Henderson Industrial Park,
Singapore - 159553

Auditors

PricewaterhouseCoopers

Bankers

Citi Bank
UOB Bank

DIRECTORS' REPORT

The directors present their report to the members together with the audited financial statements for the financial year ended 31 March 2012.

1) Directors

The directors in office at the date of this report are as follows:

Ajay Kumar Pahwa

Naveen Duggal

2) Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3) Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

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, except as disclosed in the accompanying financial statements and in this report, and except that certain directors receive remuneration as a result of their employment with related corporations.

5) Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

6) Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Ajay Kumar Pahwa

Director

3 July 2012

Naveen Duggal

Director

STATEMENT BY DIRECTORS'

In the opinion of the directors,

- (a) 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 2012 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that, with the continuing financial support from its immediate holding corporation, the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Ajay Kumar Pahwa

Director

3 July 2012

Naveen Duggal

Director

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Derma-Rx International Aesthetics Pte Ltd set out on pages 5 to 33, which comprise the balance sheet as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 (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.

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 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 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 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 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 of the Company 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 2012, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

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.

Price water house Coopers LLP
Public Accountants and Certified Public
Accountants

Singapore, 3 July 2012

STATEMENT OF COMPREHENSIVE INCOME

for the period from 22 April 2011 to 31 March 2012

	Note	31 March		31 March	
		2012	2011	2012	2011
		\$	\$	Rs.Crore	Rs.Crore
Revenue	4	5,446,000	1,697,000	22.24	6.00
Cost of sales	7	(1,520,000)	(192,000)	(6.21)	(0.68)
Gross profit		3,926,000	1,505,000	16.03	5.32
Other income	5	3,197,000	18,000	13.05	0.06
Other (losses)/gains - net	6	(1,000)	69,000	–	0.24
Expenses					
Distribution and marketing	7	(112,000)	(2,000)	(0.46)	(0.01)
Administrative	7	(1,971,000)	(884,000)	(8.05)	(3.13)
Finance	9	(599,000)	(665,000)	(2.45)	(2.35)
Profit before income tax		4,440,000	41,000	18.13	0.14
Income tax expense	10	(1,016,000)	(1,000)	(4.15)	–
Profit after tax representing total comprehensive income		3,424,000	40,000	13.98	0.14

Note: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

BALANCE SHEET AS AT 31 MARCH 2012

	Note	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
ASSETS					
Current assets					
Cash and cash equivalents	11	278,000	1,420,000	1.14	5.02
Trade and other receivables	12	1,075,000	447,000	4.39	1.58
Inventories	13	447,000	457,000	1.83	1.62
		1,800,000	2,324,000	7.35	8.22
Non-current assets					
Intangible assets	15	14,930,000	14,930,000	60.96	52.79
Goodwill	16	10,067,000	10,067,000	41.10	35.59
Investment in subsidiaries	14	14,861,000	14,861,000	60.68	52.54
Plant and equipment	17	17,000	8,000	0.07	0.03
		39,875,000	39,866,000	162.81	140.95
Total assets		41,675,000	42,190,000	170.15	149.17
LIABILITIES					
Current liabilities					
Trade and other payables	18	3,225,000	2,752,000	13.17	9.73
Borrowings	19	6,305,000	719,000	25.74	2.54
Current income tax liabilities	10	14,000	178,000	0.06	0.63
		9,544,000	3,649,000	38.97	12.90
Non-current liabilities					
Other payables	18	7,500,000	10,500,000	30.62	37.12
Borrowings	19	16,150,000	21,000,000	65.94	74.25
Deferred income tax liabilities	20	1,017,000	1,000	4.15	–
		24,667,000	31,501,000	100.71	111.38
Total liabilities		34,211,000	35,150,000	139.68	124.28
NET ASSETS		7,464,000	7,040,000	30.47	24.89
EQUITY					
Share capital	21	7,000,000	7,000,000	28.58	24.75
Retained profits		464,000	40,000	1.89	0.14
Total equity		7,464,000	7,040,000	30.47	24.89

Note: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

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STATEMENT OF CHANGES IN EQUITY

for the period from 22 April 2011 to 31 March 2012

	Note	Share capital \$	Retained profits \$	Total equity \$	Share capital Rs.crore	Retained profits Rs.crore	Total equity Rs.crore
2012							
Beginning of financial year		7,000,000	40,000	7,040,000	24.75	0.14	24.89
Total comprehensive income		–	3,424,000	3,424,000	–	13.98	13.98
Dividends paid	22	–	(3,000,000)	(3,000,000)	–	(12.25)	(12.25)
End of financial year		<u>7,000,000</u>	<u>464,000</u>	<u>7,464,000</u>	<u>28.6</u>	<u>2</u>	<u>30</u>
2011							
Balance as at 22 April 2010							
(date of incorporation)							
		–	–	–	–	–	–
Increase in share capital	21	7,000,000	–	7,000,000	24.75	–	24.75
Total comprehensive income		–	40,000	40,000	–	0.14	0.14
End of financial year		<u>7,000,000</u>	<u>40,000</u>	<u>7,040,000</u>	<u>24.75</u>	<u>0.14</u>	<u>24.89</u>

Note: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

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STATEMENT OF CASH FLOWS

for the period from 22 April 2011 to 31 March 2012

	Note	2012	2011	2012	2011
		\$	\$	Rs.Crore	Rs.Crore
Cash flows from operating activities					
Profit after tax		3,424,000	40,000	13.98	0.14
Adjustments for:					
- Income tax expense		1,016,000	45	4.15	–
- Depreciation		12,000	45	0.05	–
- Dividend income		(3,000,000)	–	(12.25)	–
- Provision for doubtful debt		(96,000)	–	(0.39)	–
- Preliminary expenses		–	223	–	–
- Interest expense		599,000	29,649	2.45	0.10
		2,149,000	31,745	8.77	0.11
Change in working capital:					
- Inventories		10,000	63,000	0.04	0.22
- Trade and other receivables		(532,000)	(98,000)	(2.17)	(0.35)
- Trade and other payables		(27,000)	2,228,000	(0.11)	7.88
Cash generated from operations		1,600,000	2,905,000	6.53	10.27
Income tax paid		(164,000)	–	(0.67)	–
Net cash provided by operating activities		1,436,000	2,905,000	5.86	10.27
Cash flows from investing activities					
Additions to Plant and equipment		(21,000)	–	(0.09)	–
Additions to intangible assets		–	(14,930,000)	–	(52.79)
Acquisition of subsidiaries		–	(14,414,000)	–	(50.96)
Preliminary expenses paid		–	(5,000)	–	(0.02)
Net cash in flow arising from amalgamation		–	514,000	–	1.82
Payment of contingent consideration arising from the acquisition of DRx Group		(2,500,000)	–	(10.21)	–
Dividend received		3,000,000	–	12.25	–
Net cash provided by/(used in) investing activities		479,000	(28,835,000)	1.96	(101.95)
Cash flows from financing activities					
Proceeds from borrowings - bank		–	21,000,000	–	74.25
Proceeds from borrowings - related corporations		3,996,000	–	16.32	–
Repayments of borrowings - bank		(4,000,000)	–	(16.33)	–
Interest paid		(599,000)	(650,000)	(2.45)	(2.30)
Dividend paid		(3,000,000)	–	(12.25)	–
Issuance of share capital		–	7,000,000	–	24.75
Net cash provided by/(used in) financing activities		(3,797,000)	27,350,000	(15.50)	96.70
Net (decrease)/increase in cash and cash equivalents		(1,882,000)	1,420,000	(7.68)	5.02
Cash and cash equivalents at beginning of financial year	11	1,420,000	–	5.80	–
Cash and cash equivalents at end of financial year	11	(462,000)	1,420,000	(1.89)	5.02

Note: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

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NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 213 Henderson Road, #01-08 Henderson Industrial Park, Singapore 159553.

The principal activities of the Company are those of consultancy in skincare, trading in cosmetics and investment holding.

As at 31 March 2012, the Company is in net current liability position. The financial statements have been prepared on a going concern basis due to the financial support from its immediate holding corporation.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 wholly-owned subsidiary of Marico Limited, which produces consolidated financial statements for public use. The registered office of Marico Limited is located at Rang Sharda Krishmachandra Marg, Bandra Reclamation, Branda (West), Mumbai 400050 India.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

The Company was incorporated on 22 April 2010. Accordingly in these financial statements, prior period comparatives are presented for the financial period from 22 April 2010 to 31 March 2011 and consequently the comparative amounts in the financial statements are not entirely comparable.

Interpretations and amendments to published standards effective in 2012

On 1 April 2011, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

(a) Sale of goods

Sale of goods comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities.

Sales are recognised when the Company has delivered the products to the customers, the customers have accepted the products and the collectability of the related receivables is reasonably assured. Sales are presented, net of goods and services tax, rebates and discounts.

(b) Royalties 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 2012

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Employee compensation

(a) Defined contribution plans

The Company's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due, unless they can be capitalised as an asset.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.4 Operating lease payments

Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

2.5 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.6 Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.7 Inventories

Inventories are carried at lower of the cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. During the financial year, the basis of estimating cost of inventories have been changed from the first-in, first-out basis to the weighted average basis. The impact of this change is immaterial.

2.8 Plant and equipment

All items of plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Computers	3 years
Furniture and fittings	3 years
Office equipment	3 years
Renovations	3 years
Machinery	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.9 Intangible assets

(a) 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 an 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.

(b) Acquired trademark and licences

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 such indication exists, the recoverable amount is estimated.

2.10 Investments in subsidiaries

Investments in subsidiaries are carried in the Company's balance sheet at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

2.11 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets

Plant and equipment

Investments in subsidiaries

Intangible assets, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

2.12 Loans and receivables

Cash and cash equivalents

Trade and other receivables

Cash and cash equivalents, and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are initially recognised at their fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.16 Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.17 Currency translation

The financial statements are presented in Singapore dollars, which is the functional currency of the Company.

Transactions in a currency other than the Singapore dollar ("foreign currency") are translated into Singapore dollars using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on these items are included in the fair value reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

Foreign exchange gains and losses that relate to borrowings are presented within 'finance cost'. All other foreign exchange gains and losses impacting profit or loss are presented within 'other losses - net'.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- (a) Estimation of fair value of contingent consideration- The balance of the consideration payable to vendors towards acquisition of the Derma-Rx entities is dependent on achievement of certain milestones as envisaged in the Sales & Purchase Agreement. Probabilities have been assigned to the likely achievement of those milestones and these probabilities are tested every quarter on the basis of actual business performance. As on the date of financial year end the actual achievement is in line with assigned probabilities on the date of acquisition.
- (b) Estimated impairment of non financial assets-Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates with regard to future growth in revenue and costs. Based on the estimates the management believes that there is no need for creating an impairment charge for the total of the carrying value of assets in the company.

4 Revenue

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Trading sales	3,753,000	295,000	15.32	1.04
Royalty income from subsidiaries	1,693,000	1,402,000	6.91	4.96
	5,446,000	1,697,000	22.24	6.00

5 Other Income

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Management fee	96,000	8,000	0.39	0.03
Miscellaneous income	5,000	-	0.02	-
Reversal of allowance for doubtful debts	96,000	10,000	0.39	0.04
Dividend income	3,000,000	-	12.25	-
	3,197,000	18,000	13.05	0.06

6 Other gain/(losses) - net

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Net currency translation (losses)/gains	(1,000)	69,000	-	0.24
	(1,000)	69,000	-	0.24

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

7 Expenses by nature

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cost of inventories included in cost of sales	1,520,000	192,000	6.21	0.68
Depreciation of property, plant and equipment (note 17)	2,000	1,000	0.05	–
Employee compensation (Note 8)	1,339,000	83,000	5.47	0.29
Advertising expense	112,000	2,000	0.46	0.01
Professional fees	5,000	374,000	0.02	1.32
Rental on operating leases	197,000	16,000	0.80	0.06
Transportation expense	11,000	3,000	0.04	0.01
Bank charges	194,000	211,000	0.79	0.75
Other expenses	213,000	196,000	0.87	0.69
Total cost of sales, distribution and marketing costs and administrative expenses	3,603,000	1,078,000	14.71	3.81

8 Employee Compensation

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Wages and salaries	1,160,000	72,000	4.74	0.25
Employer's contribution to Central Provident Fund	83,000	5,000	0.34	0.02
Other benefits	96,000	6,000	0.39	0.02
	1,339,000	83,000	5.47	0.29

9 Finance Expenses

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Interest expense				
- loan from immediate holding company	–	445,000	–	1.57
- loan from subsidiary	–	33,000	–	0.12
- bank borrowings	598,000	187,000	2.44	0.66
- bank overdrafts	1,000	–	–	–
	599,000	665,000	2.45	2.35

10 Income taxes

(a) Income tax expense

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Tax expense attributable to profit is made up of:				
- Current income tax	–	–	–	–
- Deferred income tax (Note 20)	508,000	1,000	2.07	–
Under/(over) provision in preceding financial years	–	–	–	–
- Current income tax	–	–	–	–
- Deferred income tax (Note 20)	508,000	–	2.07	–
	1,016,000	1,000	4.15	–

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Profit before tax	4,440,000	41,000	18.13	0.14
Tax calculated at tax rate of 17% (2011: 17%)	755,000	7,000	3.08	0.02
Effects of:				
- statutory stepped income exemption	-	(57,000)	-	(0.20)
- capital allowances for IPR	(397,000)	-	(1.62)	-
- expenses not deductible for tax purposes	152,000	52,000	0.62	0.18
- income not subject to tax	(510,000)	(2,000)	(2.08)	(0.01)
Tax charge	-	-	-	-
(b) Movements in current income tax liability				
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Beginning of financial year	178,000	-	0.73	-
Income tax paid	(164,000)	-	(0.67)	-
Tax payable on profit for current financial year	-	178,000	-	0.63
Underprovision in preceding financial years	-	-	-	-
End of financial year	14,000	178,000	0.06	0.63
11 Cash And Cash Equivalents				
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cash at bank and on hand	278,000	1,420,000	1.14	5.02
Cash and bank deposits (as above)	278,000	1,420,000	1.14	5.02
Less: Bank overdrafts (Note 19)	(740,000)	-	(3.02)	-
Cash and cash equivalents per statement of cash flows	(462,000)	1,420,000	(1.89)	5.02
12 Trade And other receivables				
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Trade receivables from:				
- Non-related parties	29,000	44,000	0.12	0.16
- Immediate holding corporation	511,000	159,000	2.09	0.56
- Subsidiaries	543,000	212,000	2.22	0.75
- Other related party	2,000	6,000	0.01	0.02
Less: Allowance for impairment of receivables	(86,000)	(193,000)	(0.35)	(0.68)
Trade receivables - net	999,000	228,000	4.08	0.81
Deposits	40,000	57,000	0.16	0.20
Prepayments	36,000	12,000	0.15	0.04
Advance payment to creditors	-	150,000	-	0.53
	1,075,000	447,000	4.39	1.58

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

13 Inventories

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Finished goods	287,000	397,000	1.17	1.40
Raw materials	160,000	60,000	0.65	0.21
	447,000	457,000	1.83	1.62

14 Investment in subsidiaries

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Equity investments at cost - beginning and end of financial year	14,861,000	14,861,000	60.68	52.54

15 Intangible Assets

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Trademarks	14,930,000	14,930,000	60.96	52.79

16 Goodwill

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Goodwill arising from amalgamation	10,067,000	10,067,000	41.10	35.59
Assets				
Property, plant and equipment	–	9,000	–	0.03
Inventories	–	520,000	–	1.84
Trade receivables	–	32,000	–	0.53
Other receivables	–	150,000	–	0.53
Amount owing by ultimate holding company	–	–	–	–
Amount owing by intermediate holding company	–	115,000	–	0.41
Amount owing by immediate holding company	–	259,000	–	0.92
Amounts owing by subsidiaries	–	47,000	–	0.17
Amount owing by a related party	–	6,000	–	0.02
Cash and cash equivalents	–	514,000	–	1.82
Total assets	–	1,652,000	–	5.84
Less: liabilities	–	–	–	–
Trade payables	–	32,000	–	0.11
Other payables	–	83,000	–	0.29
Amount owing to a subsidiary	–	370,000	–	1.31
Current tax liabilities	–	178,000	–	0.63
Deferred tax liabilities	–	1,000	–	–
Total liabilities	–	664,000	–	2.35
Net assets transferred	–	988,000	–	3.49
Cost of investment in DRx Meditech Pte. Ltd.	–	(11,055,000)	–	(39.09)
Goodwill arising from transfer of business operations	–	(10,067,000)	–	(35.59)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

17 Plant and equipment

	Computers \$'000	Furniture and fittings \$'000	Renovations \$'000	Office equipment \$'000	Machinery \$'000	Total \$'000
2012						
Cost						
Beginning of financial year	87,000	11,000	3,000	2,000	5,000	108,000
Additions	5,000	1,000	–	15,000	–	21,000
Disposals	–	–	–	–	–	–
End of financial year	92,000	12,000	3,000	17,000	5,000	129,000
Accumulated depreciation						
Beginning of financial year	80,000	11,000	3,000	1,000	5,000	100,000
Depreciation charge (Note 7)	8,000	–	–	4,000	–	12,000
Disposals	–	–	–	–	–	–
End of financial year	88,000	11,000	3,000	5,000	5,000	112,000
Net book value						
End of financial year	4,000	1,000	–	12,000	–	17,000
2011						
Cost						
At 22 April 2010	–	–	–	–	–	–
Transferred from subsidiary upon amalgamation	87,000	11,000	3,000	2,000	5,000	108,000
Additions	–	–	–	–	–	–
End of financial year	87,000	11,000	3,000	2,000	5,000	108,000
Accumulated depreciation						
At 22 April 2010	–	–	–	–	–	–
Transferred from subsidiary upon amalgamation	79,000	11,000	3,000	1,000	5,000	99,000
Depreciation charge (Note 7)	1,000	–	–	–	–	1,000
End of financial year	80,000	11,000	3,000	1,000	5,000	100,000
Net book value						
End of financial year	7,000	–	–	1,000	–	8,000

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

17 Plant and equipment

	Computers	Furniture and fittings	Renovations	Office equipment	Machinery	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
2012						
Cost						
Beginning of financial year	0.31	0.04	0.01	0.01	0.02	0.38
Additions	0.02	–	–	0.06	–	0.09
Disposals	–	–	–	–	–	–
End of financial year	0.38	0.05	0.01	0.07	0.02	0.53
Accumulated depreciation						
Beginning of financial year	0.28	0.04	0.01	–	0.02	0.35
Depreciation charge (Note 7)	0.03	–	–	0.02	–	0.05
Disposals	–	–	–	–	–	–
End of financial year	0.36	0.04	0.01	0.02	0.02	0.46
Net book value						
End of financial year	0.02	–	–	0.05	–	0.07
2011						
Cost						
At 22 April 2010	–	–	–	–	–	–
Transferred from subsidiary upon amalgamation	0.31	0.04	0.01	0.01	0.02	0.38
Additions	–	–	–	–	–	–
End of financial year	0.31	0.04	0.01	0.01	0.02	0.38
Accumulated depreciation						
At 22 April 2010	–	–	–	–	–	–
Transferred from subsidiary upon amalgamation	0.28	0.04	0.01	–	0.02	0.35
Depreciation charge (Note 7)	–	–	–	–	–	–
End of financial year	0.28	0.04	0.01	–	0.02	0.35
Net book value						
End of financial year	0.02	–	–	–	–	0.03

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

18 Trade and other payables

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Current				
Trade payables to:				
- Non-related parties	3,000	75,000	0.01	0.27
- Related parties	28,000	40,000	0.11	0.14
	31,000	115,000	0.13	0.41
Accruals for operating expenses	157,000	76,000	0.64	0.27
Other payables	37,000	61,000	0.15	0.22
Contingent consideration payable	3,000,000	2,500,000	12.25	8.84
	3,225,000	2,752,000	13.17	9.73
Non-current				
Contingent consideration payable	7,500,000	10,500,000	30.62	37.12
Total trade and other payables	10,725,000	13,252,000	43.79	46.86

19 Borrowings

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Current				
Bank overdrafts (Note 11)	740,000	-	3.02	-
Bank borrowing - Term Loan	850,000	-	3.47	-
Borrowings from ultimate holding company and subsidiaries	4,715,000	719,000	19.25	2.54
	6,305,000	719,000	25.74	2.54
Non-current				
Bank borrowing - Term Loan	16,150,000	21,000,000	65.94	74.25
Total borrowings	22,455,000	21,719,000	91.68	76.79

20 Deferred income taxes

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Beginning of financial year	1,000	-	-	-
Tax (credited)/charged to:				
- profit or loss (Note 10(a))	1,016,000	1,000	4.15	-
End of financial year	1,017,000	1,000	4.15	-
To be settled within one year	-	-	-	-
To be settled after one year	1,017,000	1,000	4.15	-
	1,017,000	1,000	4.15	-

21 Share capital

The Company's share capital comprises fully paid-up 7,000,000 (2011: 7,000,000) ordinary shares with no par value, amounting to a total of \$7,000,000 (2011: \$7,000,000).

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

22 Dividends

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Ordinary dividends paid and proposed				
Final dividend paid in respect for 2012 of S\$0.21 (2011: Nil) per share	1,500,000	–	6.12	–
Interim dividend paid in respect for 2012 of S\$0.07 (2011: Nil) per share	500,000	–	2.04	–
Interim dividend paid in respect for 2012 of S\$0.14 (2011: Nil) per share	1,000,000	–	4.08	–
	3,000,000	–	12.25	–

23 Commitments

Operating lease commitments - where the Company is a lessee

As at balance sheet date, the company has the following commitments under non-cancellable operating leases where the company is the lessee:

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Not later than one year	170,000	197,000	0.69	0.70
Between one and five years	27,000	197,000	0.11	0.70
Later than five years	–	–	–	–
	197,000	394,000	0.80	1.39

24 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

The Company's business is mainly exposed to the United States Dollar ("USD") as certain sales are denominated in USD. The company reviews periodically monetary assets and liabilities held in USD to ensure that net exposure is kept at an acceptable level.

The Company's currency exposure to the USD is as follows:

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
(a) Financial assets				
Cash and bank deposits	14,000	72,000	0.06	0.25
Other receivables	11,000	15,000	0.04	0.05
	25,000	87,000	0.10	0.31

At 31 Mar 2012, if the USD had strengthened/weakened by 10% (2011: 10%) against the SGD with all other variables including tax rate being held constant, the Company's profit after tax for the financial year would have been \$2,075 (2011: \$7,221) higher/lower as a result of currency translation gains/losses on the remaining USD-denominated financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

(ii) Interest rate risk

The Company is exposed to significant interest rate risk on its borrowings.

The Company's borrowings at variable rates are denominated mainly in SGD. At 31 March 2012, if the SGD interest rates had increased/decreased by 1% (2011: 100bp) with all other variables including tax rate being held constant, the profit after tax for the year would have been lower/higher by \$170,000 (2011: \$210,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

The Company adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing with financial institutions and other counterparties with high credit ratings. During the financial period, the company derived approximately 89% of its revenue from its related parties.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Company's major classes of financial assets are bank deposits and trade and other receivables.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

During the year no allowance for impairment was made. The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Gross amount	-	178,000	-	0.63
Less: Allowance for impairment	-	(168,000)	-	(0.59)
	-	10,000	-	0.01
Other receivable - gross amount	-	25,000	-	0.01
Less: Allowance for impairment	-	(25,000)	-	(0.01)
	-	-	-	-

The impaired trade receivables arise mainly from sales to a customer which has suffered significant losses in its operations.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

(c) Liquidity risk

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Less than 1 year Rs.Crore	Between 1 and 2 years Rs.Crore	Between 2 and 5 years Rs.Crore
At 31 March 2012						
Trade and other payables	3,225,000	7,500,000	–	13.17	30.62	–
Borrowings	1,590,000	3,400,000	12,750,000	6.49	13.88	52.06
At 31 March 2011						
Trade and other payables	2,752,000	3,000,000	7,500,000	9.73	10.61	26.52
Borrowings	719,000	1,050,000	19,950,000	2.54	3.71	70.54

(d) Capital risk

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Board of Director's monitors its capital based on net debt and total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank deposits. Total capital is calculated as equity plus net debt.

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Net debt	32,902,000	33,550,000	134.34	118.62
Total equity	7,464,000	7,040,000	30.47	24.89
Total capital	40,366,000	40,590,000	164.81	143.51

The Company is not subject to any externally imposed capital requirements.

25 Immediate and ultimate holding corporation

The Company's immediate holding corporation is Kaya Limited, incorporated in India. The ultimate holding corporation is Marico Limited, incorporated in the India.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011

26 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

(a) Sales and purchase of goods and services

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
(i) With ultimate holding company				
Commission	190,000	64,000	0.78	0.23
(ii) With immediate holding company				
Sales	597,000	65,000	2.44	0.23
Expenses	28,000	–	0.11	–
Dividend paid	3,000,000	–	12.25	–
(iii) With subsidiaries				
Sales	2,544,000	195,000	10.39	0.69
Royalty income	1,693,000	–	6.91	–
Management fee income	96,000	8,000	0.39	0.03
Dividend income	3,000,000	–	12.25	–
(iv) With companies in which key management personal have a substantial financial interest				
Rental	161,000	13,000	0.66	0.05
Maintenance and service charge	–	1,000	–	0.01
(b) Key management personnel compensation				
Employees benefits expense includes key management personnel compensation as follows:				
	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Directors' remuneration	549,000	18,000	2.24	0.06
Other key management personnel	98,000	24,000	0.40	0.08
	647,000	42,000	2.64	0.15

27 New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2012.

The Company does not expect that adoption of these accounting standards or interpretations will have a material impact on the Company's financial statements.

28 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Derma-Rx International Aesthetics Pte Ltd on 3 July 2012.

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 (Outlet)

302, Orchard Road,
#16–01 Tong Building ,
Singapore

Auditors

PricewaterhouseCoopers

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 2012.

The company changes its financial year end from 31 December to 31 March.

Directors

The directors in office at the date of this report are as follows:

Dr. Tan Siak Khim

Janifer Yeo – Tan

Ajay Kumar Pahwa

Naveen Duggal

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

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, except as disclosed in the accompanying financial statements and in this report, and except that certain directors receive remuneration as a result of their employment with related corporations.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re appointment.

On behalf of the board,

NAVEEN DUGGAL
Director

JANIFER YEO – TAN
Director

Singapore, 3 July 2012

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) 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 2012 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board,

NAVEEN DUGGAL
Director

JANIFER YEO – TAN
Director

Singapore, 3 July 2012

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE DRx CLINIC PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of The DRx Clinic Pte Ltd (the "Company") set out on pages 5 to 25, which comprise the balance sheet as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, 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 (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.

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 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 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 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 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 of the Company 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 2012, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

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.

PricewaterhouseCoopers Llp
Public Account And
Certified Public Countants

Singapore, 3 July 2012

THE DRX CLINIC PTE. LTD.

BALANCE SHEET

AS AT 31 MARCH 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
ASSETS					
Current assets					
Cash and cash equivalents	8	366,000	1,819,000	1.49	6.43
Trade and other receivables	9	263,000	244,000	1.07	0.86
Loan to immediate holding corporation	11	2,039,000	666,000	8.33	2.35
Inventories	10	494,000	342,000	2.02	1.21
		3,162,000	3,071,000	12.91	10.86
Non-current assets					
Property, plant and equipment	12	176,000	379,000	0.72	1.34
Total assets		3,338,000	3,450,000	13.63	12.20
LIABILITIES					
Current liabilities					
Trade and other payables	13	285,000	385,000	1.16	1.36
Deferred revenue		587,000	617,000	2.40	2.18
Current income tax liabilities	7	(13,000)	753,000	(0.05)	2.66
Borrowings		–	1,000	–	–
		859,000	1,756,000	3.51	6.21
Non-current liabilities					
Deferred income tax liabilities	14	44,000	44,000	0.18	0.16
Total liabilities		903,000	1,800,000	3.69	6.36
NET ASSETS		2,435,000	1,650,000	9.94	5.83
EQUITY					
Share capital	15	100,000	100,000	0.41	0.35
Retained profits		2,335,000	1,550,000	9.53	5.48
Total equity		2,435,000	1,650,000	9.94	5.83

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

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January 2010 to 31 March 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
Revenue	3	9,788,000	11,179,000	39.96	39.53
Cost of sales	5	(2,685,000)	(3,198,000)	(10.96)	(11.31)
Gross profit		7,103,000	7,981,000	29.00	28.22
Other income	4	464,000	615,000	1.89	2.17
Expenses					
- Distribution and marketing	5	(4,000)	(9,000)	(0.02)	(0.03)
- Administrative	5	(4,775,000)	(5,340,000)	(19.50)	(18.88)
Profit before income tax		2,788,000	3,247,000	11.38	11.48
Income tax expense	7	247,000	(478,000)	1.01	(1.69)
Profit after tax representing total comprehensive income		3,035,000	2,769,000	12.39	9.79

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2012

	Note	Share capital \$	Retained profits \$	Total equity \$
2012				
Beginning of financial year		100,000	1,550,000	1,650,000
Total comprehensive income		–	3,035,000	3,035,000
Dividends paid	16	–	(2,250,000)	(2,250,000)
End of financial year		100,000	2,335,000	2,435,000
2011				
Beginning of financial period		100,000	2,281,000	2,381,000
Total comprehensive income		–	2,769,000	2,769,000
Dividends paid	16	–	(3,500,000)	(3,500,000)
End of financial period		100,000	1,550,000	1,650,000

	Note	Share capital Rs.crore	Retained profits Rs.crore	Total equity Rs.crore
2012				
Beginning of financial year		0.35	5.48	5.83
Total comprehensive income		–	12.39	12.39
Dividends paid	16	–	(9.19)	(9.19)
End of financial year		0.41	9.53	9.94
2011				
Beginning of financial period		0.33	7.57	7.91
Total comprehensive income		–	9.79	9.79
Dividends paid	16	–	(12.37)	(12.37)
End of financial period		0.35	5.48	5.83

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
Cash flows from operating activities					
Profit after tax		3,035,000	2,769,000	12.39	9.79
Adjustments for:					
– Income tax expense	7	(247,000)	478,000	(1.01)	1.69
– Depreciation	12	242,000	285,000	0.99	1.01
– Property, plant and equipment written off		–	1,000	–	–
– Interest expense		–	(2,000)	–	(0.01)
		3,030,000	3,531,000	12.37	12.48
Change in working capital:					
– Inventories		(152,000)	(216,000)	(0.62)	(0.76)
– Trade and other receivables		(19,000)	809,000	(0.08)	2.86
– Trade and other payables		(100,000)	(66,000)	(0.41)	(0.23)
– Deferred revenue		(30,000)	(146,000)	(0.12)	(0.52)
Cash generated from operations		2,729,000	3,912,000	11.14	13.83
Interest received		–	2,000	–	0.01
Income tax paid	7(b)	(519,000)	(471,000)	(2.12)	(1.67)
Net cash provided by operating activities		2,210,000	3,443,000	9.02	12.17
Cash flows from investing activities					
Additions to property, plant and equipment	12	(39,000)	(246,000)	(0.16)	(0.87)
Loan to immediate holding corporation		(1,373,000)	–	(5.61)	–
Net cash used in investing activities		(1,412,000)	(246,000)	(5.77)	(0.87)
Cash flows from financing activities					
Repayments of borrowings		(1,000)	–	–	–
Dividends paid		(2,250,000)	(3,500,000)	(9.19)	(12.37)
Net cash provided by/(used in) financing activities		(2,251,000)	(3,500,000)	(9.19)	(12.37)
Net increase/(decrease) in cash and cash equivalents		(1,453,000)	(303,000)	(5.93)	(1.07)
Cash and cash equivalents at beginning of financial year	8	1,819,000	2,122,000	7.43	7.50
Cash and cash equivalents at end of financial year	8	366,000	1,819,000	1.49	6.43

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

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

The Company is incorporated and domiciled in Singapore. The address of its registered office is 213 Henderson Road, #01-08 Henderson Industrial Park, Singapore 159553.

The principal activities of the Company are those of clinical services and other general western medical services.

The Company's principal place of business is located at 302 Orchard Road, #16-02, Tong Building, Singapore 238862

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. There are no areas the financial statements which involve the application of significant estimates or judgement.

In 2010 the directors of the Company decided to change the financial year end of the Company to 31 March. Accordingly, in these financial statements, prior period comparatives are presented for the 15 months period ended 31 March 2011 and consequently the comparative amounts in the financial statements are not entirely comparable.

Interpretations and amendments to published standards effective in 2011

On 1 April 2011, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

(a) Sale of goods

Sale of goods comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities.

Sales are recognised when the Company has delivered the products to the customers, the customers have accepted the products and the collectability of the related receivables is reasonably assured. Sales are presented, net of goods and services tax, rebates and discounts.

(b) Rendering of services

Services income is recognised when services are rendered and accepted by customers.

Collections from service packages are deferred and recognised as revenue as and when the services due provided to customers. Unused service packages are included in the balance sheet as deferred income.

(c) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

2.3 Employee compensation

(a) Defined contribution plans

The Company's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due, unless they can be capitalised as an asset.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.4 Operating lease payments

Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.5 Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.6 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. During the financial year, the basis of measuring cost of inventories have been changed from first-in first-out basis to weighted average loans. The impact of this change is immaterial.

2.7 Plant and equipment

Plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only 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.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Computers	3 years
Furniture and fittings	3 years
Office equipment	3 years
Renovations	3 years
Medical equipment	3 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.8 Impairment of non-financial assets

Plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.9 Loans and receivables

Cash and cash equivalent

Trade and other receivables

Loan to immediate holding corporation

Cash and cash equivalent, trade and other receivables and loan to immediate holding corporation are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.10 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Company prior to the end of financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Borrowings

Borrowings are initially recognised at their fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.13 Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.14 Currency translation

The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

Transactions in a currency other than Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented within 'finance cost'. All other foreign exchange gains and losses impacting profit or loss are presented within "other income".

3. REVENUE

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Rendering of services	4,524,000	4,033,000	18.47	14.26
Sales of goods	5,264,000	7,146,000	21.49	25.27
	9,788,000	11,179,000	39.96	39.53

4. OTHER INCOME

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Rental income	326,000	407,000	1.33	1.44
Consultation fees	132,000	165,000	0.54	0.58
Miscellaneous income	3,000	25,000	0.01	0.09
Exchange gain	3,000	3,000	0.01	0.01
Job credit	–	13,000	–	0.05
Interest income	–	2,000	–	0.01
	464,000	615,000	1.89	2.17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

5. EXPENSES BY NATURE

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Purchases of inventories	2,685,000	3,198,000	10.96	11.31
Depreciation of property, plant and equipment (Note 12)	242,000	285,000	0.99	1.01
Employee compensation (Note 6)	2,225,000	2,836,000	9.08	10.03
Advertising expense	4,000	9,000	0.02	0.03
Professional fee	11,000	10,000	0.04	0.04
Rental on operating leases	627,000	795,000	2.56	2.81
Transportation expense	16,000	6,000	0.07	0.02
Royalty	1,350,000	1,099,000	5.51	3.89
Bank charge	171,000	159,000	0.70	0.56
Other expenses	133,000	150,000	0.54	0.53
Total cost of sales, distribution and marketing costs and administrative expenses	7,464,000	8,547,000	30.47	30.22

6. EMPLOYEE COMPENSATION

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Wages and salaries	2,038,000	2,635,000	8.32	9.32
Employer's contribution to Central Provident Fund	152,000	173,000	0.62	0.61
Other benefits	35,000	28,000	0.14	0.10
	2,225,000	2,836,000	9.08	10.03

7. INCOME TAX(a) Income tax expense

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Tax expense attributable to profit is made up of:				
– Current income tax	84,000	461,000	0.34	1.63
– Deferred income tax (Note 14)	–	17,000	–	0.06
	84,000	478,000	0.34	1.69
Under/(over) provision in preceding financial years	–	–		
– Current income tax	(331,000)	–	(1.35)	–
	(247,000)	478,000	(1.01)	1.69

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Profit before tax	2,788,000	3,247,000	11.38	11.48
Tax calculated at tax rate of 17% (2011: 17%)	474,000	552,000	1.94	1.95
Effects of:				
- Statutory stepped income exemption	(26,000)	(26,000)	(0.11)	(0.09)
- Expenses not deductible for tax purposes	43,000	14,000	0.18	0.05
- Utilisation of group losses	(394,000)	(78,000)	(1.61)	(0.28)
- Deferred tax liabilities previously not recognised	–	49,000	–	0.17
- Income not subject to tax	(13,000)	(33,000)	(0.05)	(0.12)
Tax charge	84,000	478,000	0.34	1.69
(b) <u>Movements in current income tax liabilities</u>				
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Beginning of financial year	753,000	764,000	3.07	2.70
Income tax paid	(519,000)	(471,000)	(2.12)	(1.67)
Tax payable on profit for current financial year	84,000	460,000	0.34	1.63
Overprovision in preceding financial years	(331,000)	–	(1.35)	–
End of financial year	(13,000)	753,000	(0.05)	2.66
8 Cash and cash equivalents				
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cash at bank and on hand	366,000	1,819,000	1.49	6.43
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cash and bank deposits (as above)	366,000	1,819,000	1.49	6.43
Cash and cash equivalents per statement of cash flows	366,000	1,819,000	1.49	6.43
9 Trade and other Receivables				
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Trade receivables	82,000	68,000	0.33	0.24
Less: Allowance for impairment of receivables	–	(6,000)	–	(0.02)
Trade receivables - net	82,000	62,000	0.33	0.22
Other receivables	181,000	182,000	0.74	0.64
	263,000	244,000	1.07	0.86

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

10 Inventories

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Finished goods	494,000	342,000	2.02	1.21

The total carrying amount of inventories approximate their fair value less costs to sell.

11. Loan to immediate holding corporation

The loan to the immediate holding corporation is unsecured, interest free and repayable on demand.

12. PROPERTY, PLANT AND EQUIPMENT

	Computers	Furniture and fittings	Office equipment	Renovation	Medical equipment	Total
	\$	\$	\$	\$	\$	\$
2012						
Cost						
Beginning of financial year	48,000	246,000	710,000	93,000	832,000	1,929,000
Additions	2,000	-	-	-	37,000	39,000
Disposals	-	-	-	-	(40,000)	(40,000)
End of financial year	50,000	246,000	710,000	93,000	829,000	1,928,000
Accumulated depreciation						
Beginning of financial year	47,000	241,000	638,000	89,000	535,000	1,550,000
Depreciation charge (Note 5)	1,000	4,000	46,000	3,000	188,000	242,000
Disposals	-	-	-	-	(40,000)	(40,000)
End of financial year	48,000	245,000	684,000	92,000	683,000	1,752,000
Net book value						
End of financial year	2,000	1,000	26,000	1,000	146,000	176,000
2011						
Cost						
Beginning of financial year	47,000	246,000	647,000	91,000	1,024,000	2,055,000
Additions	1,000	3,000	63,000	2,000	177,000	246,000
Disposals	-	(3,000)	-	-	(369,000)	(372,000)
End of financial year	48,000	246,000	710,000	93,000	832,000	1,929,000
Accumulated depreciation						
Beginning of financial year	45,000	238,000	583,000	84,000	685,000	1,635,000
Depreciation charge (Note 5)	2,000	4,000	55,000	5,000	219,000	285,000
Disposals	-	(1,000)	-	-	(369,000)	(370,000)
End of financial year	47,000	241,000	638,000	89,000	535,000	1,550,000
Net book value						
End of financial year	1,000	5,000	72,000	4,000	297,000	379,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

	Computers Rs.Crore	Furniture and fittings Rs.Crore	Office equipment Rs.Crore	Renovation Rs.Crore	Medical equipment Rs.Crore	Total Rs.Crore
2012						
Cost						
Beginning of financial year	0.17	0.87	2.51	0.33	2.94	6.82
Additions	0.01	–	–	–	0.15	0.16
Disposals	–	–	–	–	(0.16)	(0.16)
End of financial year	0.20	1.00	2.90	0.38	3.38	7.87
Accumulated depreciation						
Beginning of financial year	0.17	0.85	2.26	0.31	1.89	5.48
Depreciation charge (Note 5)	–	0.02	0.19	0.01	0.77	0.99
Disposals	–	–	–	–	(0.16)	(0.16)
End of financial year	0.20	1.00	2.79	0.38	2.79	7.15
Net book value						
End of financial year	0.01	–	0.11	–	0.60	0.72
2011						
Cost						
Beginning of financial year	0.16	0.82	2.15	0.30	3.40	6.82
Additions	–	0.01	0.22	0.01	0.63	0.87
Disposals	–	(0.01)	–	–	(1.30)	(1.32)
End of financial year	0.17	0.87	2.51	0.33	2.94	6.82
Accumulated depreciation						
Beginning of financial year	0.15	0.79	1.94	0.28	2.27	5.43
Depreciation charge (Note 5)	0.01	0.01	0.19	0.02	0.77	1.01
Disposals	–	–	–	–	(1.30)	(1.31)
End of financial year	0.17	0.85	2.26	0.31	1.89	5.48
Net book value						
End of financial year	–	0.02	0.25	0.01	1.05	1.34

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

13 Trade and other payables

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Trade payables to:				
- Non-related parties	–	12,000	–	0.04
Other accruals for operating expenses	285,000	373,000	1.16	1.32
	285,000	385,000	1.16	1.36

14 Deferred income taxes

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Beginning and end of financial year	44,000	27,000	0.18	0.10
Tax (credited)/charged to:				
- Profit or loss (Note 7(a))	–	17,000	–	0.06
End of financial year	44,000	44,000	0.18	0.16

15. Share capital

The Company's share capital comprise fully paid-up 100,000 (2011: 100,000) ordinary shares with no par value, amounting to a total of \$100,000 (2011: \$100,000).

16 Dividends

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Ordinary dividends paid or proposed				
First interim dividend paid in respect of current financial year of S\$12.50 (2011: S\$7) per share	1,250,000	700,000	5.10	2.47
Second interim dividend paid in respect of current financial year of S\$5 (2011 S\$8) per share	500,000	800,000	2.04	2.83
Third interim dividend paid in respect of current financial year of S\$5 (2011: S\$20) per share	500,000	2,000,000	2.04	7.07
	2,250,000	3,500,000	9.19	12.37

17. Commitments

(a) Operating lease commitments - where the Company is a lessee

The Company leases business premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Not later than one year	627,000	380,000	2.56	1.34
Between one and five years	1,046,000	–	4.27	–
	1,673,000	380,000	6.83	1.34

(b) Operating lease commitments – where the Company is a lessor

The Company sublets business premises to associated companies under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as assets, are as follows:

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Not later than one year	326,000	190,000	1.33	0.67
Between one and five years	543,000	–	2.22	–
	869,000	190,000	3.55	0.67

18. Financial risk management*Financial risk factors*

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:

(a) 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.

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:

Trade receivables past due:

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
1 to 30 days	82,000	62,000	0.33	0.22

During the year the company has not impaired any trade receivables.

(b) Market risk

(i) Currency risk

The company does not have significant foreign currency transactions, thus the net exposure is not expected to be significant.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

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.

(c) 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.

(d) Capital risk

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Company is not subject to any externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the year.

(e) 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.

19. Immediate and ultimate holding corporation

The Company's immediate holding corporation is Derma-Rx International Aesthetics Pte Ltd, incorporated in Singapore. The ultimate and intermediate holding corporation are Marico Limited and Kaya Limited respectively, both incorporated in India.

20. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

(a) Sales and purchase of goods and services

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
(i) With immediate holding company				
Purchases	1,992,000	152,000	8.13	0.54
Royalty fees	1,350,000	1,099,000	5.51	3.89
Dividend paid	2,250,000	3,500,000	9.19	12.37
(ii) With fellow subsidiaries				
Sales	870,000	570,000	3.55	2.02
Rental Income	326,000	407,000	1.33	1.44
Consultation fee income	132,000	165,000	0.54	0.58
Misc Income	2,000	-	0.01	-
Purchases	35,000	2,482,000	0.14	8.78
Purchase of property, plant and equipment	-	2,000	-	0.01
Rental expenses	-	11,000	-	0.04

Balances with related parties at the balance sheet date are unsecured and receivable/payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

(b) Key management personnel compensation

Employees benefits expense includes key management personnel compensation is as follows:

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Short-term employee benefits				
- Directors' remuneration	616,000	703,000	2.52	2.49
- Other key management personnel	34,000	50,000	0.14	0.18
	<u>650,000</u>	<u>753,000</u>	<u>2.65</u>	<u>2.66</u>

21. New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published, that are mandatory for accounting periods beginning on or after 1 April 2012.

The Company does not expect that adoption of these accounting standards on interpretations will have a material impact on the Company's financial statements.

22. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of The DRx Clinic Pte Ltd on 3 July 2012.

THE DRX MEDISPA 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

PricewaterhouseCoopers

Bankers

UOB Bank

REPORT OF THE DIRECTORS'

For the financial year ended 31 March 2012

The directors present their report to the members together with the audited financial statements for the financial year ended 31 March 2012.

Directors

The directors in office at the date of this report are as follows:

Dr. Tan Siak Khim

Janifer Yeo – Tan

Ajay Kumar Pahwa

Naveen Duggal

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

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, except as disclosed in the accompanying financial statements and in this report, and except that certain directors receive remuneration as a result of their employment with related corporations.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re appointment.

On behalf of the board,

Naveen Duggal
Director

Singapore, 3 July 2012

Janifer Yeo-Tan
Director

STATEMENT BY DIRECTORS

For the financial year ended 31 March 2012

In the opinion of the directors,

- (a) 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 2012 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that, with the continuing financial support from its intermediate holding corporation, the Company will be able to pay its debts as and when they fall due.

On behalf of the board,

Naveen Duggal
Director

Singapore, 3 July 2012

Janifer Yeo-Tan
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE DRx MEDISPA PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of The DRx Medispa Pte Ltd set out on pages 5 to 25, which comprise the balance sheet as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 (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.

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 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 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 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 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 of the Company 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 2012, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

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, 3 July 2012

PricewaterhouseCoopers LLP

Public Accountants and
Certified Public Accountants

BALANCE SHEET

AS AT 31 MARCH 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
ASSETS					
Current assets					
Cash and cash equivalents	8	588,000	2,161,000	2.40	7.64
Trade and other receivables	9	180,000	62,000	0.73	0.22
Inventories	10	69,000	24,000	0.28	0.08
Loan to immediate holding corporation	11	2,078,000	94,000	8.48	0.33
		<u>2,915,000</u>	<u>2,341,000</u>	<u>11.90</u>	<u>8.28</u>
Non-current assets					
Plant and equipment	12	420,000	71,000	1.71	0.25
		<u>420,000</u>	<u>71,000</u>	<u>1.71</u>	<u>0.25</u>
Total assets		<u>3,335,000</u>	<u>2,412,000</u>	<u>13.62</u>	<u>8.53</u>
LIABILITIES					
Current liabilities					
Trade and other payables	13	189,000	328,000	0.77	1.16
Deferred revenue		3,133,000	2,909,000	12.79	10.29
Current income tax liabilities	7	211,000	187,000	0.86	0.66
Borrowings		–	105,000	–	0.37
		<u>3,533,000</u>	<u>3,529,000</u>	<u>14.42</u>	<u>12.48</u>
Non-current liabilities					
Deferred income tax liabilities	14	8,000	8,000	0.03	0.03
		<u>8,000</u>	<u>8,000</u>	<u>0.03</u>	<u>0.03</u>
Total liabilities		<u>3,541,000</u>	<u>3,537,000</u>	<u>14.46</u>	<u>12.51</u>
NET LIABILITIES		<u>(206,000)</u>	<u>(1,125,000)</u>	<u>(0.84)</u>	<u>(3.98)</u>
EQUITY					
Share capital	15	100,000	100,000	0.41	0.35
Retained profits		<u>(306,000)</u>	<u>(1,225,000)</u>	<u>(1.25)</u>	<u>(4.33)</u>
Total equity		<u>(206,000)</u>	<u>(1,125,000)</u>	<u>(0.84)</u>	<u>(3.98)</u>

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

STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January 2010 to 31 March 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
Revenue	3	6,561,000	6,764,000	26.79	23.92
Cost of sales	5	(1,378,000)	(1,531,000)	(5.63)	(5.41)
Gross profit		5,183,000	5,233,000	21.16	18.50
Other income	4	3,000	78,000	0.01	0.28
Expenses					
- Distribution and marketing	5	(16,000)	(18,000)	(0.07)	(0.06)
- Administrative	5	(3,260,000)	(4,145,000)	(13.31)	(14.66)
Profit before income tax		1,910,000	1,148,000	7.80	4.06
Income tax expense	7	(241,000)	(195,000)	(0.98)	(0.69)
Profit after tax representing total comprehensive income		1,669,000	953,000	6.81	3.37

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2012

	Note	Share capital \$	Retained profits \$	Total equity \$
2012				
Beginning of financial year		100,000	(1,225,000)	(1,125,000)
Total comprehensive income		–	1,669,000	1,669,000
Dividends paid	16	–	(750,000)	(750,000)
End of financial year		100,000	(306,000)	(206,000)
2011				
Beginning of financial period		100,000	(2,028,000)	(1,928,000)
Total comprehensive income		–	953,000	953,000
Dividends paid		–	(150,000)	(150,000)
End of financial period		100,000	(1,225,000)	(1,125,000)

	Note	Share capital Rs.crore	Retained profits Rs.crore	Total equity Rs.crore
2012				
Beginning of financial year		0.35	(4.33)	(3.98)
Total comprehensive income		–	6.81	6.81
Dividends paid	16	–	(3.06)	(3.06)
End of financial year		0.41	(1.25)	(0.84)
2011				
Beginning of financial period		0.33	(6.73)	(6.40)
Total comprehensive income		–	3.37	3.37
Dividends paid	16	–	(0.53)	(0.53)
End of financial period		0.02	(4.33)	(3.98)

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
Cash flows from operating activities					
Profit after tax		1,669,000	953,000	6.81	3.37
Adjustments for:					
- Income tax expense		241,000	195,000	0.98	0.69
- Depreciation		166,000	491,000	0.68	1.74
- Net gain on disposal of property, plant and equipment		–	(28,000)	–	(0.10)
		<u>2,076,000</u>	<u>1,611,000</u>	<u>8.48</u>	<u>5.70</u>
Change in working capital:					
- Inventories		(45,000)	7,000	(0.18)	0.02
- Trade and other receivables		(118,000)	398,000	(0.48)	1.41
- Trade and other payables		85,000	37,000	0.35	0.13
Cash generated from operations		<u>1,998,000</u>	<u>2,053,000</u>	<u>8.16</u>	<u>7.26</u>
Income tax paid		(217,000)	(37,000)	(0.89)	(0.13)
Net cash provided by operating activities		<u>1,781,000</u>	<u>2,016,000</u>	<u>7.27</u>	<u>7.13</u>
Cash flows from investing activities					
Additions to property, plant and equipment		(515,000)	(59,000)	(2.10)	(0.21)
Disposal of property, plant and equipment		–	28,000	–	0.10
Loan to immediate holding corporation		(1,984,000)	–	(8.10)	–
Net cash used in investing activities		<u>(2,499,000)</u>	<u>(31,000)</u>	<u>(10.20)</u>	<u>(0.11)</u>
Cash flows from financing activities					
Repayment of borrowings to related company		(105,000)	–	(0.43)	–
Dividends paid		(750,000)	(150,000)	(3.06)	(0.53)
Net cash provided by/(used in) financing activities		<u>(855,000)</u>	<u>(150,000)</u>	<u>(3.49)</u>	<u>(0.53)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1,573,000)</u>	<u>1,835,000</u>	<u>(6.42)</u>	<u>6.49</u>
Cash and cash equivalents at beginning of financial year	8	2,161,000	326,000	8.82	1.15
Cash and cash equivalents at end of financial year	8	<u>588,000</u>	<u>2,161,000</u>	<u>2.40</u>	<u>7.64</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

The Company is incorporated and domiciled in Singapore. The address of its registered office is 213 Henderson Road, #01-08 Henderson Industrial Park, Singapore 159553.

The principal activities of the Company are to provide therapeutic skin beauty treatments and import and distribute of health and beauty products. The Company's principal place of business is located at 302 Orchard Road, #14-02/03 & #16-02, Tong Building, Singapore 238862.

As at 31 March 2012, the Company is in capital deficit. The financial statements have been prepared on a going concern basis due to the financial support from its intermediate holding corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain accounting estimates and assumptions. There are no areas of the financial statements which involve the application of significant estimates or judgement.

In 2010, the directors of the Company decided to change the financial year end of the Company to 31 March. Accordingly, in the financial statements, prior period comparatives are presented for the 15 months period ended 31 March 2011 and consequently the comparative amounts in the financial statements are not entirely comparable.

Interpretations and amendments to published standards effective in 2011

On 1 April 2011, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

(a) Sale of goods

Sale of goods comprises the fair value of the consideration received or receivable for the sale of health and beauty products in the ordinary course of the Company's activities.

Sales are recognised when the Company has delivered the products to the customers, the customers have accepted the products and the collectability of the related receivables is reasonably assured. Sales are presented, net of goods and services tax, rebates and discounts.

(b) Rendering of services

Service income is recognised when services are rendered and accepted by customers.

Collections from service packages are deferred and recognised as revenue as and when the services due are provided to customers. Unused service packages are included in the balance sheet as deferred income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

(c) Interest income

Interest income is recognised using the effective interest method.

2.3 Employee compensation

(a) Defined contribution plans

The Company's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due, unless they can be capitalised as an asset.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.4 Operating lease payments

Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.5 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.6 Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.7 Inventories

Inventories are carried at lower of the cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated the costs necessary to make the sale. During the financial year, the basis of estimating the cost of inventories was changed from the first-in, first-out basis to the weighted average basis. The impact of this change is immaterial.

2.8 Plant and equipment

All items of plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only 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.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

	<u>Useful lives</u>
Computers	3 years
Furniture and fittings	3 years
Office equipment	3 years
Renovations	3 years
Medical equipment	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.9 Impairment of non-financial assets*Plant and equipment*

Plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss. A reversal of impairment loss for an asset is recognised in profit or loss.

2.10 Loans and receivables

Cash and cash equivalent

Trade and other receivables

Loan to immediate holding corporation

Cash and cash equivalents, trade and other receivables and the loan to the immediate holding corporation are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.11 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Company prior to the end of financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.12 Borrowings

Borrowings are initially recognised at their fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.15 Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.16 Currency translation

The financial statements are presented in Singapore dollars, which is the functional currency of the Company.

Transactions in a currency other than the Singapore dollars ("foreign currency") are translated into Singapore dollars using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented within 'finance cost'. All other foreign exchange gains and losses impacting profit or loss are presented within 'other income'.

3. REVENUE

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Rendering of services	5,280,000	5,222,000	21.56	21.32
Sales of goods	1,281,000	1,542,000	5.23	6.30
	6,561,000	6,764,000	26.79	27.62

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

4. OTHER INCOME

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
- Misc income	2,000	28,000	0.01	0.10
- Gain on disposal of fixed asset	1,000	28,000	0.01	0.10
- Jobs credit	-	11,000	-	0.04
- Rental income	-	11,000	-	0.04
	3,000	78,000	0.01	0.28

5. EXPENSES BY NATURE

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cost of inventories included in cost of sales	1,378,000	1,293,000	5.63	4.57
Depreciation of property, plant and equipment (Note 12)	166,000	491,000	0.68	1.74
Employee compensation (Note 6)	1,788,000	2,154,000	7.30	7.62
Advertising expense	16,000	18,000	0.07	0.06
Rental on operating leases	575,000	1,071,000	2.35	3.79
Audit fees	23,000	10,000	0.09	0.04
Royalty	328,000	238,000	1.34	0.84
Bank charges	160,000	164,000	0.65	0.58
Other expenses	220,000	255,000	0.90	0.90
Total cost of sales, distribution and marketing costs and administrative expenses	4,654,000	5,694,000	19.00	20.13

6. EMPLOYEE COMPENSATION

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Wages and salaries	1,592,000	1,966,000	6.50	6.95
Employer's contribution to Central Provident Fund	146,000	135,000	0.60	0.48
Other benefits	50,000	53,000	0.20	0.19
	1,788,000	2,154,000	7.30	7.62

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

7. INCOME TAX(a) Income tax expense

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Tax expense attributable to profit is made up of:				
- Current income tax	307,000	187,000	1.25	0.66
- Deferred income tax (Note 14)	–	8,000	–	0.03
	307,000	195,000	1.25	0.69
Under/(over) provision in preceding financial years				
- Current income tax	(66,000)	–	(0.27)	–
- Deferred income tax (Note 14)	–	–	–	–
	241,000	195,000	0.98	0.69

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Profit before tax	1,910,000	1,148,000	7.80	4.06
Tax calculated at tax rate of 17% (2011: 17%)	325,000	195,000	1.33	0.69
Effects of:				
- statutory stepped income exemption	(26,000)	(26,000)	(0.11)	(0.09)
- expenses not deductible for tax purposes	28,000	6,000	0.11	0.02
- income not subject to tax	(20,000)	(40,000)	(0.08)	(0.14)
- Utilisation of group losses	–	(24,000)	–	(0.08)
- deferred tax previously not recognised	–	84,000	–	0.30
Tax charge	307,000	195,000	1.25	0.69

(b) Movements in current income tax liabilities

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Beginning of financial year	187,000	37,000	0.76	0.13
Income tax paid	(217,000)	(37,000)	(0.89)	(0.13)
Tax payable on profit for current financial year	307,000	187,000	1.25	0.66
Overprovision in preceding financial years	(66,000)	–	(0.27)	–
End of financial year	211,000	187,000	0.86	0.66

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

8 Cash and cash equivalents

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cash at bank and on hand	588,000	2,111,000	2.40	7.46
Short-term bank deposits	–	50,000	–	0.18
	588,000	2,161,000	2.40	7.64
	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cash and bank balances (as above)	588,000	2,161,000	2.40	7.64
Cash and cash equivalents per statement of cash flows	588,000	2,161,000	2.40	7.64

9 Trade and other Receivables

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Trade receivables	55,000	32,000	0.22	0.11
Less: Allowance for impairment of receivables	–	–	–	–
Trade receivables – net	55,000	32,000	0.22	0.11
Other receivables	125,000	30,000	0.51	0.11
	180,000	62,000	0.73	0.22

10 Inventories

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Raw materials	45,000	–	0.18	–
Finished goods	24,000	24,000	0.10	0.08
	69,000	24,000	0.28	0.08

The total carrying amount of inventories approximate their fair value less costs to sell.

11. Loan to immediate holding corporation

The loan to the immediate holding corporation is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

12. PLANT AND EQUIPMENT

	Computers	Furniture and fittings	Office equipment	Renovation	Medical equipment	Total
	\$	\$	\$	\$	\$	\$
2012						
Cost						
Beginning of financial year	19,000	55,000	299,000	80,000	926,000	1,379,000
Additions	–	5,000	407,000	5,000	98,000	515,000
Disposals	–	–	–	(17,000)	–	(17,000)
End of financial year	19,000	60,000	706,000	68,000	1,024,000	1,877,000
Accumulated depreciation						
Beginning of financial year	19,000	55,000	288,000	80,000	866,000	1,308,000
Depreciation charge (Note 5)	–	1,000	102,000	2,000	61,000	166,000
Disposals	–	–	–	(17,000)	–	(17,000)
End of financial year	19,000	56,000	390,000	65,000	927,000	1,457,000
Net book value						
End of financial year	–	4,000,000	316,000	3,000	97,000	420,000

	Computers	Furniture and fittings	Office equipment	Renovation	Medical equipment	Total
	\$	\$	\$	\$	\$	\$
2011						
Cost						
Beginning of financial year	22,000	87,000	745,000	92,000	980,000	1,926,000
Additions	–	–	31,000	–	28,000	59,000
Disposals	(3,000)	(32,000)	(477,000)	(12,000)	(82,000)	(606,000)
End of financial year	19,000	55,000	299,000	80,000	926,000	1,379,000
Accumulated depreciation						
Beginning of financial year	19,000	79,000	579,000	81,000	664,000	1,422,000
Depreciation charge (Note 5)	3,000	8,000	186,000	11,000	283,000	491,000
Disposals	(3,000)	(32,000)	(477,000)	(12,000)	(81,000)	(605,000)
End of financial year	19,000	55,000	288,000	80,000	866,000	1,308,000
Net book value						
End of financial year	–	–	11,000	–	60,000	71,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

	Computers Rs.Crore	Furniture and fittings Rs.Crore	Office equipment Rs.Crore	Renovation Rs.Crore	Medical equipment Rs.Crore	Total Rs.Crore
2012						
Cost						
Beginning of financial year	0.07	0.19	1.06	0.28	3.27	4.88
Additions	–	0.02	1.66	0.02	0.40	2.10
Disposals	–	–	–	(0.07)	–	(0.07)
End of financial year	0.08	0.24	2.88	0.28	4.18	7.66
Accumulated depreciation						
Beginning of financial year	0.07	0.19	1.02	0.28	3.06	4.62
Depreciation charge (Note 5)	–	–	0.42	0.01	0.25	0.68
Disposals	–	–	–	(0.07)	–	(0.07)
End of financial year	0.08	0.23	1.59	0.27	3.78	5.95
Net book value						
End of financial year	–	16.33	1.29	0.01	0.40	1.71
2011						
Cost						
Beginning of financial year	0.07	0.29	2.47	0.31	3.25	6.39
Additions	–	–	0.11	–	0.10	0.21
Disposals	(0.01)	(0.11)	(1.69)	(0.04)	(0.29)	(2.14)
End of financial year	0.07	0.19	1.06	0.28	3.27	4.88
Accumulated depreciation						
Beginning of financial year	0.06	0.26	1.92	0.27	2.20	4.72
Depreciation charge (Note 5)	0.01	0.03	0.66	0.04	1.00	1.74
Disposals	(0.01)	(0.11)	(1.69)	(0.04)	(0.29)	(2.14)
End of financial year	0.07	0.19	1.02	0.28	3.06	4.62
Net book value						
End of financial year	–	–	0.04	–	0.21	0.25

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

13 Trade and other payables

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Trade payables to:				
– Non-related parties	–	2,000	–	0.01
	–	2,000	–	0.01
Other accruals for operating expenses	189,000	32,6000	0.77	1.15
	189,000	328,000	0.07	1.16

14 Deferred income taxes

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Beginning of financial year	8,000	–	0.01	–
Tax (credited)/charged to:				
– profit or loss (Note 7(a))	–	8,000	–	0.01
End of financial year	8,000	8,000	0.01	0.01

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
To be settled within one year	–	–	–	–
To be settled after one year	8,000	8,000	0.01	0.01
	8,000	8,000	0.01	0.01

15. Share capital

The Company's share capital comprises fully paid-up 100,000 (2011: 100,000) ordinary shares with no par value, amounting to a total of \$100,000 (2011: \$100,000).

16 Dividends

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Ordinary dividends paid or proposed				
First interim dividend paid in respect of current financial year of S\$2.50 (2011: S\$1.50) per share	250,000	150,000	1.02	0.53
Second interim dividend paid in respect of current financial year of S\$5.00 per share	500,000	–	2.04	–
	750,000	150,000	3.06	0.53

17. Commitments

Operating lease commitments – where the Company is a lessee

As at balance sheet date, the Company has the following commitments under non-cancellable operating leases where the Company is the lessee:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Not later than one year	591,000	269,000	2.41	0.95
Between one and five years	918,000	–	3.75	–
Later than five years	–	–	–	–
	1,509,000	269,000	6.16	0.95

18. 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 a 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 or 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

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.

(v) Capital risk

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

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.

19. Immediate and ultimate holding corporation

The Company's immediate holding corporation is Derma-Rx International Aesthetics Pte Ltd, incorporated in Singapore. The ultimate and intermediate holding corporation are Marico Limited and Kaya Limited respectively, both incorporated in India.

20. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

(a) Sales and purchase of goods and services

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
(i) With immediate holding company				
Royalty paid	328,000	238,000	1.34	0.84
Purchases	456,000	33,000	1.86	0.12
Dividend paid	750,000	150,000	3.06	0.53
Management fee	96,000	-	0.39	-
(ii) With fellow subsidiaries				
Sales	35,000	-	0.14	-
Purchases	882,000	1,099,000	3.60	3.89
Rental expenses	314,000	407,000	1.28	1.44
Rental income	-	11,000	-	0.04
Consultation fee	132,000	165,000	0.54	0.58
Utilities	12,000	-	0.01	-

Balances with related parties at the balance sheet date are unsecured and receivable/payable on demand.

(b) Key management personnel compensation

Employees benefits expense includes key management personnel compensation is as follows:

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Short term employee benefits				
- Director's remuneration	36,000	45,000	0.15	0.16
- Other key management personnel	136,000	171,000	0.56	0.60
	172,000	216,000	0.70	0.76

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

21. New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published, that are mandatory for accounting periods beginning on or after 1 January 2012.

The Company does not expect that adoption of these accounting standards on interpretations will have a material impact on the Company's financial statements.

22. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of The DRx Medispa Pte Ltd on 3 July 2012

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

PricewaterhouseCoopers

Bankers

UOB Bank

REPORT OF THE DIRECTORS'

For the financial year ended 31 March 2012

The directors present their report to the members together with the audited financial statements for the financial year ended 31 March 2012.

Directors

The directors in office at the date of this report are as follows:

Dr. Tan Siak Khim

Janifer Yeo – Tan

Ajay Kumar Pahwa

Naveen Duggal

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

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, except as disclosed in the accompanying financial statements and in this report, and except that certain directors receive remuneration as a result of their employment with related corporations.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment

On behalf of the board,

Naveen Duggal
Director

Singapore, 3 July 2012

Janifer Yeo-Tan
Director

STATEMENT BY DIRECTORS

For the financial year ended 31 March 2012

In the opinion of the directors,

- (a) 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 2012 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, with the continuing financial support from its intermediate holding corporation, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board,

Naveen Duggal
Director

Singapore, 3 July 2012

Janifer Yeo-Tan
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DRX INVESTMENT PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of DRx Investments Pte Ltd set out on pages 5 to 16, which comprise the balance sheet as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 (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.

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 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 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 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 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 of the Company 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 2012, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

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, 3 July 2012

PricewaterhouseCoopers LLP

Public Accountants and
Certified Public Accountants

DRX INVESTMENT PTE. LTD
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

BALANCE SHEET

AS AT 31 MARCH 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
ASSETS					
Current assets					
Cash and cash equivalents	5	17,000	10,000	0.07	0.04
Amount owing by a subsidiary	7	—	—	—	—
Non current assets					
Investment in subsidiary	6	—	—	—	—
Total assets		17,000	10,000	0.07	0.04
LIABILITIES					
Current liabilities					
Other payables	8	10,000	3,000	0.04	0.01
Borrowings from a fellow subsidiary	8	18,000	3,000	0.07	0.01
		28,000	6,000	0.11	0.02
Total liabilities		28,000	6,000	0.11	0.02
NET LIABILITIES		(11,000)	4,000	(0.04)	0.01
EQUITY					
Share capital	9	748,000	748,000	3.05	2.64
Retained profits		(759,000)	(744,000)	(3.10)	(2.63)
Total equity		(11,000)	4,000	(0.04)	0.01

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

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

DRX INVESTMENT PTE. LTD
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
Expenses					
- Administrative	3	(15,000)	(6,000)	(0.06)	(0.02)
Loss before income tax		(15,000)	(6,000)	(0.06)	(0.02)
Income tax expense	4	-	-	-	-
Loss after tax and total comprehensive loss		<u>(15,000)</u>	<u>(6,000)</u>	<u>(0.06)</u>	<u>(0.02)</u>

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

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STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2012

	Note	Share capital \$	Retained profits \$	Total equity \$
2012				
Beginning of financial year		748,000	(744,000)	4,000
Loss for the year, representing total comprehensive loss		–	(15,000)	(15,000)
End of financial year		748,000	(759,000)	(11,000)
2011				
Beginning of financial year		15,000	(738,000)	(723,000)
Loss for the year, representing total comprehensive loss		–	(6,000)	(6,000)
Increase in share capital		7,331,000	–	733,000
End of financial year		748,000	(744,000)	4,000

	Note	Share capital Rs.crore	Retained profits Rs.crore	Total equity Rs.crore
2012				
Beginning of financial year		2.64	(2.63)	0.01
Loss for the year, representing total comprehensive loss		–	(0.06)	(0.06)
End of financial year		3.05	(3.10)	(0.04)
2011				
Beginning of financial year		0.05	(2.45)	(2.40)
Loss for the year, representing total comprehensive loss		–	(0.02)	(0.02)
Increase in share capital		25.92	–	2.59
End of financial year		2.64	(2.63)	0.01

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

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DRX INVESTMENT PTE. LTD
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2012

	Note	2012 \$	2011 \$	2012 Rs.crore	2011 Rs.crore
Cash flows from operating activities					
Loss for the period		(15,000)	(6,000)	(0.06)	(0.02)
Change in working capital:					
- Trade and other payables		7,000	(729,000)	0.03	(2.58)
Cash generated from operations		(8,000)	(735,000)	(0.03)	(2.60)
Net cash used in operating activities		(8,000)	(735,000)	(0.03)	(2.60)
Cash flows from financing activities					
Proceeds from borrowings from related corporation		15,000	-	0.06	-
Capitalisation of loan from holding company		-	733,000	-	2.59
Net cash provided by/(used in) financing activities		15,000	733,000	0.06	2.59
Net increase/(decrease) in cash and cash equivalents		7,000	(2,000)	0.03	(0.01)
Cash and cash equivalents at beginning of financial year	5	10,000	12,000	0.04	0.04
Cash and cash equivalents at end of financial year	5	17,000	10,000	0.07	0.04

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

Notes: The exchange rate used to convert SGD to Rs. <40.829> / <SGD> (Rs. <35.357> / <SGD>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 213 Henderson Road, #01-08 Henderson Industrial Park, Singapore 159553.

The Company is a Investment Holding Company of DRx Aesthetics Sdn. Bhd. incorporated in Malaysia .

As at 31 March 2012, the Company is in capital deficit. The financial statements have been prepared on a going concern basis due to the financial support from its intermediate holding corporation.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 wholly-owned subsidiary of Marico Limited, which produces consolidated financial statements for public use. The registered office of Marico Limited is located at Rang Sharda Krishnachandra Marg, Bandra Reclamation, Branda (West), Mumbai 400050 India.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain accounting estimates and assumptions. There are no areas of the financial statements which involve the application of significant estimates or judgement.

In 2010, the directors of the Company decided to change the financial year end of the Company to 31 March. Accordingly, in these financial statements, prior period comparatives are presented for the 15 months period ended 31 March 2011 and consequently the comparative amounts in the financial statements are not entirely comparable.

Interpretations and amendments to published standards effective in 2011

On 1 April 2011, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

2.3 Loans and receivables

Cash and cash equivalents

Amount owing by a subsidiary

Cash and cash equivalents, and amount owing by a subsidiary are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.4 Investment in a subsidiary

Investments in subsidiaries are stated at cost less accumulated impairment losses in the balance sheet. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investment are recognised in profit or loss.

2.5 Impairment of non-financial assts

Investment in a subsidiary is reviewed for impairment whenever there is any indication that this asset may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.6 Other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Company prior to the end of financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

3 EXPENSES BY NATURE

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Audit fees	14000	2000	0.06	0.01
Other expenses	1000	4000	–	0.01
Total	15000	6000	0.06	0.02

4. INCOME TAX EXPENSE

The tax on loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Loss for the period	(15,000)	(6,000)	(0.06)	(0.02)
Tax calculated at tax rate of 17% (2011: 17%)	(3,000)	(1,000)	(0.01)	–
Effects of:				
– expenses not deductible for tax purposes	3,000	1,000	0.01	–
Tax charge	–	–	–	–

5 CASH AND CASH EQUIVALENTS

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cash at bank and on hand	17,000	10,000	0.07	0.04
	<u>17,000</u>	<u>10,000</u>	<u>0.07</u>	<u>0.04</u>

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Cash and bank deposits (as above)	17,000	10,000	0.07	0.04
Cash and cash equivalents per statement of cash flows	<u>17,000</u>	<u>10,000</u>	<u>0.07</u>	<u>0.04</u>

6 INVESTMENTS IN SUBSIDIARY

Investments in a subsidiary

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Equity investments at cost				
Beginning of financial year	65,000	65,000	0.27	0.23
Less: impairment loss	(65,000)	(65,000)	(0.27)	(0.23)
End of financial year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

At the balance sheet date, the details of the subsidiary are as follows:

Name of companies	Principal activities	Country of business/ Incorporation	Equity holding	
			2012 %	2011 %
DRx Aesthetics Sdn Bhd	Maintain private medical practice and medical laboratory service and consultation	Malaysia	100	100

7 AMOUNT OWING BY A SUBSIDIARY

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Amount owing by a subsidiary – non-trade	634,000	634,000	2.59	2.24
Less: Allowance for doubtful debts	(634,000)	(634,000)	(2.59)	(2.24)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The amount owing by subsidiary is unsecured, interest-free and is repayable on demand.

8 OTHER PAYABLES

	2012 \$	2011 \$	2012 Rs.Crore	2011 Rs.Crore
Borrowings from fellow subsidiary	18,000	3,000	0.07	0.01
Other accruals for operating expenses	10,000	3,000	0.04	0.01
	<u>28,000</u>	<u>6,000</u>	<u>0.11</u>	<u>0.02</u>

Amounts owing to a fellow subsidiary is unsecured, interest-free and repayable on demand.

9. SHARE CAPITAL

The Company's share capital comprises fully paid-up 748,343 (2011: 748,343) ordinary shares with no par value, amounting to a total of \$748,343 (2011: \$748,343).

10. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2012

11. IMMEDIATE AND ULTIMATE HOLDING CORPORATION

The Company's immediate holding corporation is Derma-Rx International Aesthetics Pte Ltd, incorporated in Singapore. The ultimate and intermediate holding corporation are Marico Limited and Kaya Limited respectively, both incorporated in India.

12. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

	2012	2011	2012	2011
	\$	\$	Rs.Crore	Rs.Crore
Sales and purchase of goods and services	—	—	—	—
With subsidiaries	—	—	—	—
Borrowings	18,000	3,000	0.07	0.01

Balances with related parties at the balance sheet date are unsecured, interest-free and receivable/payable on demand.

13. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards, amendments and interpretations to existing standards that have been published that are mandatory for accounting periods, and are relevant for the Company's accounting periods beginning on or after 1 April 2012.

The Company does not expect that adoption of these accounting standards or interpretation will have a material impact on the Company's financial statements.

14. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of DRx Investment Pte Ltd on 3 July 2012.

DRX AESTHETICS SDN. BHD

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 (Outlet)

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 year ended 31 March 2012.

Principal activity

The principal activity of the Company is 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 year.

Financial results

	RM
Profit after taxation	112,044

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year.

Issue of shares and debentures

The Company has not issued any shares or 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)

CHIN CHEE KEE

POH SHIOW MEI

AJAY PAHWA

NAVEEN DUGGAL

Particulars of interest in shares of the Company by the directors who held office at the end of the financial year are as follows:

	Ordinary shares of RM1/- each			
	As at 01/04/2011	Bought	Sold	As at 31/03/2012
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 year, nor at any time during this year, did there subsist any arrangement to which the Company

DIRECTORS' REPORT (contd.)

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 all known bad debts have been written off and that adequate provision has been made for doubtful debts.
 - (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 the amount written off or provided for bad and doubtful debts of the Company inadequate to any substantial extent.
 - (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 year 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 year 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 year 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 year 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.

DIRECTORS' REPORT (contd.)

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 13 April 2012

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 2012 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board of Directors in accordance
with a resolution of the Directors dated 13 April 2012

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 13 April 2012

JANIFER YEO - TAN

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

DRX AESTHETICS SDN. BHD (689072-T)

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 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Standard 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 2012 and of its financial performance and cash flows for the year 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 RM1,565,103/-, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

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.

SUNDARASAN A/L ARUMUGAM

1876/02/12(J/PH)

Chartered **Accountant** (M)

Petaling Jaya

Date :

SUNDAR & ASSOCIATES

AF No: 1127

Chartered Accountants (M)

INCOME STATEMENT

for the period ended 31 March 2012

(with comparatives for the period from 01/01/2010 to 31/03/2011)

	Note	2012 RM	2011 RM	2012 Rs.crore	2011 Rs.crore
Turnover	3 (ii)	746,150	1,236,438	1.24	2.05
Cost of sales		(234,329)	(419,261)	(0.39)	(0.70)
Gross profit		511,821	817,177	0.85	1.36
Other income		3,960	35,436	0.01	0.06
Staff costs	5	(63,664)	(80,526)	(0.11)	(0.13)
Depreciation		(5,992)	(91,795)	(0.01)	(0.15)
Other operating expenses		(337,598)	(327,015)	(0.56)	(0.54)
Operating profit		108,527	353,277	0.18	0.59
Finance costs		–	(7,290)	–	(0.01)
Profit before taxation	6	108,527	345,987	0.18	0.57
Taxation	7	3,517	(4,079)	0.01	(0.01)
Profit after taxation		112,044	341,908	0.19	0.57

Note: The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

BALANCE SHEET

AS AT 31 MARCH 2012

	Note	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.crore
Non-current asset					
Plant and equipment	8	46,479	3,156	0.08	0.01
Current assets					
Inventories	3(iv) / 9	33,098	31,096	0.05	0.05
Trade receivables		9,751	3,110	0.02	0.01
Other receivables , deposits and prepayment	10	92,014	81,059	0.15	0.12
Tax recoverable		38,385	–	0.06	–
Cash and bank balances		143,429	295,736	0.24	0.44
		<u>316,677</u>	<u>411,001</u>	<u>0.53</u>	<u>0.61</u>
Current liabilities					
Trade payables		287,084	444,763	0.48	0.66
Other payables and accrued liabilities	11	60,899	66,186	0.10	0.10
Amount owing to the holding company	12	1,533,797	1,533,797	2.55	2.26
Taxation		–	79	–	–
		<u>1,881,780</u>	<u>2,044,825</u>	<u>3.13</u>	<u>3.02</u>
Net current liabilities					
		<u>(1,565,103)</u>	<u>(1,633,824)</u>	<u>(2.60)</u>	<u>(2.41)</u>
		<u>(1,518,624)</u>	<u>(1,630,668)</u>	<u>(2.52)</u>	<u>(2.40)</u>
Financed by :					
Share capital					
	13	990,000	990,000	1.65	1.46
Accumulated loss		<u>(2,508,624)</u>	<u>(2,620,668)</u>	<u>(4.17)</u>	<u>(3.86)</u>
		<u>(1,518,624)</u>	<u>(1,630,668)</u>	<u>(2.52)</u>	<u>(2.40)</u>

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

Note: The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)

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STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2012

	Share capital RM	Accumulated loss RM	Total RM
Balance as at 1 April 2011	990,000	(2,620,668)	(1,630,668)
Profit after taxation	–	112,044	112,044
Balance as at 31 March 2012	990,000	(2,508,624)	(1,518,624)
Balance as at 1 January 2010	250,000	(2,962,576)	(2,712,576)
Issue of shares	740,000	–	740,000
Loss after taxation	–	341,908	341,908
Balance as at 31 March 2011	990,000	(2,620,668)	(1,630,668)

	Share capital Rs. Crore	Accumulated loss Rs. Crore	Total Rs. Crore
Balance as at 1 April 2011	1.46	(3.86)	(2.40)
Profit after taxation	–	0.19	0.19
Balance as at 31 March 2012	1.65	(4.17)	(2.52)
Balance as at 1 January 2010	0.34	(4.08)	(3.73)
Issue of shares	1.09	–	1.09
Loss after taxation	–	0.50	0.50
Balance as at 31 March 2011	1.46	(3.86)	(2.40)

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

Note: The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)
 "The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2012

	2012 RM	2011 RM	2012 Rs. Crore	2011 Rs. Crore
Cash flows from operating activities				
Profit before taxation	108,527	345,987	0.18	0.51
Adjustments for :				
Depreciation on plant and equipment	5,992	91,795	0.01	0.14
Loss on foreign exchange – unrealised	3,297	–	0.01	–
Bad debts written off	39	–	–	–
Fixed deposit interest	–	(2,248)	–	–
Gain on foreign exchange – unrealised	–	(3,610)	–	(0.01)
Gain on disposal plant and equipment	–	(900)	–	–
Operating profit before working capital changes	117,855	431,024	0.20	0.64
Changes in working capital :				
Inventories	(2,002)	(20,495)	–	(0.03)
Trade receivables	(6,680)	540	(0.01)	–
Other receivables, deposits and prepayment	(10,955)	(10,684)	(0.02)	(0.02)
Trade payables	(160,976)	(93,717)	(0.27)	(0.14)
Other payables and accrued liabilities	(5,287)	52,776	(0.01)	0.08
Cash (absorbed by) / generated from operations	(68,045)	359,444	(0.11)	0.53
Fixed deposit interest	–	2,248	–	–
Tax paid	(34,947)	(3,630)	(0.06)	(0.01)
Net cash flow from operating activities	(102,992)	358,062	(0.17)	0.53
Cash flows from investing activities				
Purchase of plant and equipment	(49,315)	(2,400)	(0.08)	–
Proceeds from disposal of plant and equipment	–	900	–	–
Decrease in deposits pledged to a bank	–	327,648	–	0.48
Net cash flow from investing activities	(49,315)	326,148	(0.08)	0.48
Net (decrease) / increase in cash and cash equivalents	(152,307)	684,210	(0.25)	1.01
Cash and cash equivalents brought forward	295,736	(388,474)	0.49	(0.57)
Cash and cash equivalent carried forward	143,429	295,736	0.24	0.44
Breakdown of cash and cash equivalents carried forward				
Cash and bank balances	143,429	295,736	0.24	0.44

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

Note: The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2012

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

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 2012, the Company's current liabilities exceeded its total assets by RM1,565,103/-. 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:

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 2012

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2012

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:

	2012	2011
	RM	RM
Singapore Dollar	<u>2,4405</u>	<u>2,4004</u>

4. Principal activity

The principal activity of the Company is managing private medical practice and medical laboratory service and consultation as well as dealing in all kinds of medical and its related products.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2012

5 Staff Costs

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Salaries and related cost	57,149	72,772	0.09	0.11
Contribution to defined contribution plan	5,847	6,779	0.01	0.01
Other employees benefit	668	975	–	–
	63,664	80,526	0.11	0.12

6 Profit Before taxation

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Rental of office	108,000	155,100	0.18	0.23
Auditors' remuneration	9,820	7,500	0.02	0.01
Loss on foreign exchange - realised	9,685	–	0.02	–
Loss on foreign exchange - unrealised	3,297	–	0.01	–
Bad debt written off	39	–	–	–
Overdraft interest	–	7,290	–	0.01
and crediting :				
Gain on foreign exchange - realised	–	28,678	–	0.04
Gain on foreign exchange - unrealised	–	3,610	–	0.01
Fixed deposit interest	–	2,248	–	0.01
Gain on disposal of plant and equipment	–	900	–	–

7 Taxation

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Provision for the year	–	(4,079)	–	(0.01)
Overprovision in prior year	3,517	–	0.01	–
	3,517	(4,079)	0.01	(0.01)
Profit before taxation	108,527	345,987	0.18	0.51
Taxation at Malaysian statutory tax rate of 25%	27,132	86,497	0.05	0.13
Expenses not deductible for tax purposes	–	986	–	–
Origination of deferred tax asset not recognised	(22,444)	(61,925)	(0.04)	(0.09)
Proportion of profit in respect of overlapping year	(8,205)	(22,479)	(0.01)	(0.03)
Tax expense for the year	(3,517)	4,079	(0.01)	0.01
Unutilised tax losses	928,791	928,791	1.54	1.37
Unutilised capital allowances	847,811	984,918	1.41	1.45
	1,776,602	1,913,709	2.95	2.82

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2012

8 Plant and Equipment

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Medical and surgical equipment	506,730	506,730	0.84	0.75
Renovation	383,512	380,457	0.64	0.56
Computer and equipment	37,043	34,604	0.06	0.05
Air - conditioner	17,400	17,400	0.03	0.03
Furniture and fittings	10,367	10,367	0.02	0.02
	955,052	949,558	1.59	1.40

9 Inventories

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Trading merchandise, at cost	33,098	31,096	0.05	0.05

10 Other receivables, deposits and prepayment

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Other receivables	2,274	143	–	–
Deposits	71,740	70,240	0.12	0.10
Prepayments	18,000	10,676	0.03	0.02
	92,014	81,059	0.15	0.12

11 Other payables and accrued liabilities

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Accrued expenses	60,172	6,318	0.1	0.01
Other payables	727	59,868	–	0.09
	60,899	66,186	0.1	0.1

12. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2012

13 Share Capital

	Number of shares		2012	2011	2012	2011
			RM	RM	Rs.Crore	Rs.Crore
Authorised :						
Ordinary shares of RM 1/- each	1,000,000	1,000,000	1,000,000	1,000,000	1.66	1.47
Issued and fully paid:						
Ordinary shares of RM1/- each						
Balance brought forward	990,000	250,000	990,000	250,000	1.65	0.37
Issued during the year	-	740,000	-	740,000	-	1.09
Balance carried forward	990,000	990,000	990,000	990,000	1.65	1.46

14 Deferred Taxation

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Tax effect of:				
Unabsorbed capital allowances	906,171	1,137,202	1.51	1.68
Unutilised tax losses	928,791	928,791	1.54	1.37
	1,834,962	2,065,993	3.05	3.05

8. Plant and equipment

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	37,043	12,866	506,730	383,512	17,400	2,400	959,951
Addition	-	-	7,160	42,155	-	-	49,315
Disposal	-	-	-	-	-	-	-
Balance carried forward	37,043	12,866	513,890	425,667	17,400	2,400	1,009,266
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	36,722	11,991	506,730	383,512	17,400	440	956,795
Addition	320	500	477	4,215	-	480	5,992
Disposal	-	-	-	-	-	-	-
Balance carried forward	37,042	12,491	507,207	387,727	17,400	920	962,787
Net book value	Computer and equipment RM	Furniture and fittings RM	Medical and surgical equipment RM	Renovation RM	Airconditioner RM	Signboard RM	Total RM
2012	1	375	6,683	37,940	-	1,480	46,479
2011	321	875	-	-	-	1,960	3,156

Plant and equipment Cost	Computer and equipment Rs.Crore	Furniture and fittings Rs.Crore	Medical and surgical equipment Rs.Crore	Renovation Rs.Crore	Airconditioner Rs.Crore	Signboard Rs.Crore	Total Rs.Crore
Balance brought forward	0.05	0.02	0.75	0.57	0.03	-	1.42
Addition	-	-	0.01	0.07	-	-	0.08
Disposal	-	-	-	-	-	-	-
Balance carried forward	0.06	0.02	0.85	0.71	0.03	-	1.68
Accumulated depreciation	Computer and equipment Rs.Crore	Furniture and fittings Rs.Crore	Medical and surgical equipment Rs.Crore	Renovation Rs.Crore	Airconditioner Rs.Crore	Signboard Rs.Crore	Total Rs.Crore
Balance brought forward	0.05	0.02	0.75	0.57	0.03	-	1.41
Addition	-	-	-	0.01	-	-	0.01
Disposal	-	-	-	-	-	-	-
Balance carried forward	0.06	0.02	0.84	0.64	0.03	-	1.60
Net book value	Computer and equipment Rs.Crore	Furniture and fittings Rs.Crore	Medical and surgical equipment Rs.Crore	Renovation Rs.Crore	Airconditioner Rs.Crore	Signboard Rs.Crore	Total Rs.Crore
2012	-	-	0.01	0.06	-	-	0.08
2011	-	-	-	-	-	-	-

INCOME STATEMENT

for the year ended 31 March 2012

	Note	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.crore
Turnover		746,150	1,236,438	1.24	1.82
Cost of sales :					
Inventories - 1 January		31,096	10,601	0.05	0.02
Purchases		231,867	438,151	0.39	0.65
Freight, forwarding and handling charges		4,465	1,605	0.01	–
Inventories - 31 March		(33,099)	(31,096)	(0.06)	(0.05)
		234,329	419,261	0.39	0.62
Gross profit		511,821	817,177	0.85	1.21
Other income :					
Miscellaneous income		3,960	–	0.01	–
Gain on foreign exchange-realised		–	28,678	–	0.04
Gain on foreign exchange-unrealised		–	3,610	–	0.01
Fixed deposits interest		–	2,248	–	–
Gain on disposal of plant and equipment		–	900	–	–
		3,960	35,436	0.01	0.05
Staff costs	Appendix I	(63,664)	(80,526)	(0.11)	(0.12)
Depreciation	Appendix I	(5,992)	(91,795)	(0.01)	(0.14)
Other operating expenses	Appendix II	(337,598)	(327,015)	(0.56)	(0.48)
Operating profit		108,527	353,277	0.18	0.52
Finance costs	Appendix II	–	(7,290)	–	(0.01)
Profit for the year		108,527	345,987	0.18	0.51

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 year ended 31 March 2012

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.crore
Staff costs				
Salaries	35,161	56,242	0.06	0.08
Allowances	21,988	16,530	0.04	0.02
EPF	5,847	6,779	0.01	0.01
Socso	668	975	–	–
	<u>63,664</u>	<u>80,526</u>	<u>0.11</u>	<u>0.12</u>
Depreciation				
Renovation	4,215	611	0.01	–
Furniture and fittings	500	625	–	–
Signboard	480	440	–	–
Medical and surgical equipment	477	89,525	–	0.13
Computer and equipment	320	594	–	–
	<u>5,992</u>	<u>91,795</u>	<u>0.01</u>	<u>0.14</u>
Other operating expenses				
Rental of office	108,000	155,100	0.18	0.23
Recruitment fee	72,513	1,890	0.12	–
Royalties	34,559	42,220	0.06	0.06
Travelling	19,783	17,632	0.03	0.03
Credit card commission	10,163	16,704	0.02	0.02
Auditors' remuneration	9,820	7,500	0.02	0.01
Loss on foreign exchange – realised	9,685	–	0.02	–
Marketing fee	8,480	–	0.01	–
Office cleaning	7,343	9,031	0.01	0.01
Electricity and water	6,684	9,507	0.01	0.01
Telephone charges	6,635	7,662	0.01	0.01
General expenses	6,432	3,652	0.01	0.01
Accounting fee	6,000	6,648	0.01	0.01
Professional fee	5,269	22,827	0.01	0.03
Staff accomodation	4,244	10,447	0.01	0.02
Registration fee	3,983	780	0.01	–
Tax fee	2,606	500	0.01	–
Office maintenance	2,589	2,457	0.01	0.01
Loss on foreign exchange – unrealised	3,297	–	0.01	–
Repair and renewal	2,367	278	–	–
Printing and stationery	2,233	2,963	–	–
Insurance	1,675	1,963	–	–
Balance carried forward	<u>334,360</u>	<u>319,761</u>	<u>0.56</u>	<u>0.47</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 year ended 31 March 2012

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.crore
Other operating expenses (cont'd)				
Balance brought forward	334,360	319,761	0.56	0.47
Penalty	1,464	435	–	–
Secretarial fees	743	2,246	–	–
Postage and courier	550	786	–	–
Bank charges	228	724	–	–
Staff welfare	160	–	–	–
Newspaper and periodicals	54	459	–	–
Bad debts written off	39	–	–	–
Service tax	–	1,020	–	–
Food and beverage	–	428	–	–
Subscription fee	–	395	–	–
Packing material	–	342	–	–
Filing fees	–	150	–	–
Upkeep of office equipment	–	133	–	–
Laundry charges	–	76	–	–
Attestion fee	–	60	–	–
	337,598	327,015	0.56	0.48
Finance costs				
Overdraft interest	–	7,290	–	0.01
	–	7,290	–	0.01

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.

MARICO MIDDLE EAST FZE

Board of Directors

Vijay Subramaniam

Sudhir Rehgarrh

Pawan Agrawal

Debashish Neogi

Aditya Shome

Secretary, Manager, Negotiator

Sudhir Rehgarrh

Registered Office

Office No. LB 15326, 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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF MARICO MIDDLE EAST FZE

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 2012, 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 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 at 31 March 2012, 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.

PKF

Dubai

United Arab Emirates

18 April 2012

MARICO MIDDLE EAST FZE

STATEMENT OF FINANCIAL POSITION

31 MARCH 2012

	Notes	2012 AED	2011 AED	2012 Rs, crore	2011 Rs, Crore
NON-CURRENT ASSETS					
Property, plant and equipment	6	525,276	701,198	0.73	0.85
Investments in subsidiaries	7	32,001,823	32,001,823	44.33	38.85
Non-current financial assets	8	59,376,267	65,795,642	82.24	79.87
		<u>91,903,366</u>	<u>98,498,663</u>	<u>127.30</u>	<u>119.57</u>
CURRENT ASSETS					
Trade and other receivables	9	46,272,336	30,798,072	64.09	37.39
Cash and cash equivalents	11	604,474	1,398,555	0.84	1.70
		<u>46,876,810</u>	<u>32,196,627</u>	<u>64.93</u>	<u>39.08</u>
TOTAL ASSETS		<u>1,38,780,176</u>	<u>1,30,695,290</u>	<u>192.22</u>	<u>158.65</u>
CURRENT LIABILITIES					
Bank borrowings	12	82,505,075	78,570,806	114.28	95.38
Trade and other payables	13	32,403,053	28,239,616	44.88	34.28
		<u>1,14,908,128</u>	<u>1,06,810,422</u>	<u>159.16</u>	<u>129.66</u>
NON-CURRENT LIABILITIES					
Provision for staff end-of-service gratuity	14	379,394	436,734	0.53	0.53
SHAREHOLDE'S FUNDS					
Share capital	15	22,000,000	22,000,000	30.47	26.71
Accumulated losses		(1,733,589)	(1,024,511)	(2.40)	(1.24)
Equity funds		20,266,411	20,975,489	28.07	25.46
Loan from parent company	16	3,226,243	2,472,645	4.47	3.00
		<u>23,492,654</u>	<u>23,448,134</u>	<u>32.54</u>	<u>28.46</u>
TOTAL EQUITY AND LIABILITIES		<u>1,38,780,176</u>	<u>1,30,695,290</u>	<u>192.22</u>	<u>158.65</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 15 April 2012.

FOR MARICO MIDDLE EAST FZE

DIRECTORS

Note - The exchange rate used to convert AED to Rs. <13.851> / <AED> (Rs. <12.139> / <AED>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

MARICO MIDDLE EAST FZE

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2012

	Notes	2012 AED	2011 AED	2012 Rs, crore	2011 Rs, Crore
REVENUE		1,51,012,513	99,808,788	209.17	121.16
Purchases of inventory		(95,185,675)	(61,092,772)	(131.84)	(74.16)
GROSS PROFIT		55,826,838	38,716,016	77.33	47.00
Other operating income		128,533	58,901	0.18	0.07
Staff costs	18	(9,421,294)	(7,130,255)	(13.05)	(8.66)
Depreciation		(128,728)	(121,759)	(0.18)	(0.15)
Other operating expenses	19	(46,531,484)	(43,338,562)	(64.45)	(52.61)
LOSS FROM OPERATING ACTIVITIES		(126,135)	(11,815,659)	(0.17)	(14.34)
Interest income	20	1,403,851	1,648,192	1.94	2.00
Finance costs	21	(1,986,794)	(1,820,643)	(2.75)	(2.21)
LOSS FOR THE YEAR		(709,078)	(11,988,110)	(0.98)	(14.55)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(709,078)	(11,988,110)	(0.98)	(14.55)

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

DIRECTORS

Note - The exchange rate used to convert AED to Rs. <13.851> / <AED> (Rs. <12.139> / <AED>)

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MARICO MIDDLE EAST FZE

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2012

	Notes	2012 AED	2011 AED	2012 Rs.Crore	2011 Rs.Crore
Cash flows from operating activities					
Cash used in operations	22	(11,278,120)	(13,264,914)	(15.62)	(16.10)
Interest paid		(1,986,794)	(1,820,643)	(2.75)	(2.21)
Net cash used in operating activities		(13,579,333)	(15,399,976)	(18.81)	(18.69)
Cash flows from investing activities					
Purchase of property, plant and equipment		(40,260)	(418,832)	(0.06)	(0.51)
Decrease/ (increase) in long term loan to subsidiary companies		6,419,375	(18,763,744)	8.89	(22.78)
Interest received		1,403,851	1,648,192	1.94	2.00
Net cash from/(used in) investing activities		7,782,966	(17,534,384)	10.78	(21.28)
Cash flows from financing activities					
(Payments of)/ receipts from bank overdraft (net)		(13,843,111)	8,291,753	(19.17)	10.07
Receipts of bank loans (net)		17,777,380	25,819,703	24.62	31.34
Proceeds from/(repayment) of loan from the parent company		753,598	(22,994)	1.04	(0.03)
Net cash from financing activities		4,687,867	34,088,462	6.49	41.38
Net (decrease)/increase in cash and cash equivalents		(794,081)	1,154,102	(1.10)	1.40
Cash and cash equivalents at beginning of year		1,398,555	244,453	1.94	0.30
Cash and cash equivalents at end of year	11	604,474	1,398,555	-	1.70

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.

Note - The exchange rate used to convert AED to Rs. <13.851> / <AED> (Rs. <12.139> / <AED>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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 April 2011, and the laws of the Jebel Ali Free Zone.

As at the reporting date the establishment has accumulated losses of AED 1,733,589 and its current liabilities exceed its current assets by AED 68,031,318. 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, there financial statements has 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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.

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 trade 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

YEAR ENDED 31 MARCH 2012

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 profit or 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 379,394 (previous year AED 436,734), 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:

- + IAS24: Related Party Disclosures
- + Improvements to IFRS
 - IFRS 7: Financial Instruments: Disclosures
 - IAS 1: Presentation of Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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:

- IFRS 9: Financial Instruments (1 January 2013)
- Presentation of Items in Other Comprehensive Income: Amendments to IAS1 (1 July 2012)
- IAS19: Employee Benefits (1 January 2013)
- IAS27: Separate Financial Statements (1 January 2013)
- IFRS13: Fair Value Measurement (1 January 2013)

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture, Capital fixtures and work in office Motor progress equipment vehicles AED AED AED			Total AED	Furniture, Capital fixtures and work in office Motor progress equipment vehicles Rs. Rs. Rs. Crore Crore Crore			Total Rs. Crore
Cost								
As at 1 April 2010	200,000	216,955	47,545	464,500	0.24	0.27	0.06	0.57
Additions	-	418,832	-	418,832	-	0.51	-	0.51
Disposals	(200,000)	200,000	-	-	(0.24)	0.24	-	-
As at 31 March 2011	-	835,787	47,545	883,332	-	1.01	0.06	1.07
Additions	-	40,260	-	40,260	-	0.06	-	0.06
Write offs	-	(153,044)	-	(153,044)	-	(0.21)	-	(0.21)
As at 31 March 2012	-	723,003	47,545	770,548	-	1.00	0.07	1.07
Accumulated depreciation and impairment losses								
As at 31 March 2010	-	47,201	13,174	60,375	-	0.06	0.02	0.07
Depreciation	-	117,242	4,517	121,759	-	0.14	0.01	0.15
As at 31 March 2011	-	164,443	17,691	182,134	-	0.20	0.02	0.22
Depreciation	-	124,210	4,518	128,728	-	0.17	0.01	0.18
Adjustment relating to write offs	-	(65,590)	-	(65,590)	-	(0.09)	-	(0.09)
As at 31 March 2012	-	22,306	22,209	245,272	-	0.31	0.03	0.34
Net book values								
As at 1 April 2010	200,000	169,754	34,371	404,125	0.24	0.21	0.04	0.49
As at 31 March 2011	-	671,344	29,854	701,198	-	0.81	0.04	0.85
As at 31 March 2012	-	499,940	25,336	525,276	-	0.69	0.04	0.07

Notes

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

	2012 AED	2011 AED	2012 Rs.Crore	2011 Rs.Crore
7. INVESTMENTS IN SUBSIDIARIES				
Kaya Middle East FZE *	150,000	150,000	0.21	0.18
MEL Consumer Care Company**	162,016	162,016	0.22	0.20
Egypt American Investment and Industrial Development Company (EAIIDC)***	12,551,836	12,551,836	17.39	15.24
MBL Industries Limited****	53,971	53,971	0.07	0.07
Marico Malaysia SDN, BHD, *****	19,084,000	19,084,000	26.43	23.17
	32,001,823	32,001,823	44.33	38.85

* This represents investment in 1 share of AED 150,000 in 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 investment 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 SON. BHD, registered in Malaysia.

	2012 AED	2011 AED	2012 Rs.Crore	2011 Rs.Crore
8. NON-CURRENT FINANCIAL ASSETS				
Long term loan:				
Kaya Middle East FZE (Note a)	44,140,625	42,846,126	61.14	52.01
Marico Malaysia SDN BHD (Note b)	1,512,498	367,325	2.09	0.45
MEL Consumer Care Wind (Note b)	–	8,859,047	–	10.75
MEL Consumer Care Company (Note c)	6,578,106	6,578,106	9.11	7.99
Egypt American Investment and Industrial Development Company (EAIIDC) (Note c)	7,145,038	7,145,038	9.90	8.67
	59,376,267	65,795,642	82.24	79.87

Note

a) This represents long term loan with no fixed repayment schedule. The loan carries interest at floating rate linked to LIBOR.

b) This represents long term loans with no fixed repayment schedule. The loan carries interest at fixed rates.

c) These represents interest free long term loans with no fixed repayment schedule.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

	2012 AED	2011 AED	2012 AED	2011 AED
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	41,690,535	26,050,801	57.75	31.62
Less: Provision for doubtful account	(29,323)	(360,808)	(0.04)	(0.44)
	41,661,212	25,689,993	57.70	31.19
Advances	1,852,278	3,105,783	2.57	3.77
Prepayments	1,993,794	1,171,329	2.76	1.42
Other receivables	341,913	425,655	0.47	0.52
Deposits	423,139	405,312	0.59	0.49
	46,272,336	30,798,072	64.09	37.39

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

Opening balance	360,808	–	0.50	–
Provision reversed during the year	(360,808)	–	(0.50)	–
Provisions made during the year	29,323	360,808	0.04	0.44
Closing balance	29,323	360,808	0.04	0.44

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

0 to 3 months	284,151	954,899	0.39	1.16
Over 3 months	493,227	128,676	0.68	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	29,323	360,808	0.04	0.44
Provision	29,323	360,808	0.04	0.44
Carrying value	–	–	–	–
Trade receivables not past due and not impaired	40,883,834	24,606,418	56.63	29.87

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.

MARICO MIDDLE EAST FZE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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	Other related party AED	Total 2012 AED	Total 2011 AED
Investments in subsidiaries	–	32,001,823	–	–	32,001,823	–
	–	32,001,823	–	–		32,001,823
Disclosed as non-current financial assets (long term loans to wholly owned subsidiaries)	–	59,376,267	–	–	59,376,267	–
	–	65,795,642	–	–	–	65,795,642
Included in trade and other receivables	–	1,958,325	448,682	12,533	2,419,540	–
	–	–	83,728	–	–	83,728
Included in trade payables	9,282,719	6,714,321	–	–	15,997,040	–
	8,856,174	5,977,448	–	–	–	14,833,622
Included in accruals	–	–	–	–	–	–
	–	–	49,051	–	–	49,051
Loan from parent company	3,226,243	–	–	–	3,226,243	–
	2,472,645	–	–	–	–	2,472,645
Included in end of service gratuity	–	–	135,002	–	135,002	–
	–	–	56,715	–	–	56,715

	Parent company Rs.Crore	Subsidiaries Rs.Crore	Directors Rs.Crore	Other related party Rs.Crore	Total 2012 Rs.Crore	Total 2011 Rs.Crore
Investments in subsidiaries	–	44.33	–	–	44.33	–
	–	38.85	–	–	–	38.85
Disclosed as non-current financial assets (long term loans to wholly owned subsidiaries)	–	82.24	–	–	82.24	–
	–	79.87	–	–	–	79.87
Included in trade and other receivables	–	2.71	0.62	0.02	3.35	–
	–	–	0.10	–	–	0.10
Included in trade payables	12.86	9.30	–	–	22.16	–
	10.75	7.26	–	–	–	18.01
Included in accruals	–	–	–	–	–	–
	–	–	0.06	–	–	0.06
Loan from parent company	4.47	–	–	–	4.47	–
	3.00	–	–	–	–	3.00
Included in end of service gratuity	–	–	0.19	–	0.19	–
	–	–	0.07	–	–	0.07

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.

MARICO MIDDLE EAST FZE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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

	Parent	Subsidiaries	Directors	Total	Total
	AED	company	AED	2012	2011
	AED	AED	AED	AED	AED
Sales	–	39,632,063	–	39,632,063	–
	–	8,192,117	–	–	8,192,117
Purchases	30,551,815	29,494,946	–	60,046,761	–
	22,042,775	32,201,384	–	–	54,244,159
Royalty expenses	2,784,511	–	–	2,290,417	–
	27,84,511	–	–	22,90,417	–
Salaries and benefits	–	–	1,417,275	1,417,275	–
	–	–	629,240	–	629,240
End-of-service gratuity	–	–	30,707	30,707	–
	–	–	18,905	–	18,905
Interest expenses	–	–	–	–	–
	206,562	–	–	206,562	–
Bank guarantee charges	1,065,170	–	–	1,065,170	–
	473,127	–	–	–	473,127
Operating lease expenses charged	–	409,329	–	409,329	–
	–	471,935	–	471,935	–
Recharge of expenses	205,891	–	–	205,891	–
	231,428	–	–	–	231,428
Interest income	–	1,403,851	–	1,403,851	–
	–	1,648,192	–	–	1,648,192

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

	Parent	Subsidiaries	Directors	Total	Total
	Rs.Crore	company	Rs.Crore	2012	2011
	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore
Sales	–	54.89	–	54.89	–
	–	9.94	–	–	9.94
Purchases	42.32	40.85	–	83.17	–
	26.76	39.09	–	–	65.85
Royalty expenses	3.86	–	–	3.17	–
	3.38	–	–	2.78	–
Salaries and benefits	–	–	1.96	1.96	–
	–	–	0.76	–	0.76
End-of-service gratuity	–	–	0.04	0.04	–
	–	–	0.02	–	0.02
Interest expenses	–	–	–	–	–
	0.25	–	–	–	0.25
Bank guarantee charges	1.48	–	–	1.48	–
	0.57	–	–	–	0.57
Operating lease expenses charged	–	0.57	–	0.57	–
	–	0.57	–	–	0.57
Recharge of expenses	0.29	–	–	0.29	–
	0.28	–	–	–	0.28
Interest income	–	1.94	–	1.94	–
	–	2.00	–	–	2.00

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

	2012 AED	2011 AED	2012 Rs.Crore	2011 Rs.Crore
11. CASH AND CASH EQUIVALENTS				
Cash and cheques on hand	65,040	98,680	0.09	0.12
Bank balances in current account	539,434	1,299,875	0.75	1.58
	604,474	1,398,555	0.84	1.70
12. BANK BORROWINGS				
Term loan	80,520,783	62,743,403	111.53	76.16
Overdraft	198,429	15,827,403	–	19.21
	82,505,075	78,570,806	114.28	95.38
An analysis by bank of amounts outstanding is as follows:				
	2012 AED	2011 AED	2,012 Rs.Crore	2,011 Rs.Crore
Barclays Bank	–	37,032,553	–	44.95
JP Morgan	36,749,152	–	50.90	–
HSBC	25,715,754	25,710,850	35.62	31.21
Standard Chartered Bank	20,040,169	15,827,403	27.76	19.21
	82,505,075	78,570,806	114.28	95.38

Bank borrowings are secured against:

- Term loans are secured by corporate guarantee of the parent company and are payable within one year from the date of loan.
- Bank guarantee and/or stand-by letter of credit for US\$ 5,000,000 from Standard Chartered Bank in India.
- Bank overdraft from Standard Chartered Bank is secured against promissory note for US\$ 4,800,000

13. TRADE AND OTHER PAYABLES

	2012 AED	2011 AED	2012 Rs.Crore	2011 Rs.Crore
Trade payables	17,351,730	17,678,402	24.03	21.46
Accrual	15,051,323	10,561,214	20.85	12.82
	32,403,053	28,239,616	44.88	34.28

14. PROVISION FOR STAFF END-OF-SERVICE GRATUITY

	2012 AED	2011 AED	2012 Rs.Crore	2011 Rs.Crore
Opening balance	436,734	292,729	0.60	0.36
Provision for the year	217,769	200,904	0.30	0.24
Paid during the year	(275)	(56,899)	–	(0.07)
Closing balance	379,394	436,734	0.53	0.53

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

15. SHARE CAPITAL

Issued and Paid up:

22 shares of AED 1,000,000 each

(previous year 22 share of AED 1,000,000 each)	22,000,000	22,000,000	30.47	26.71
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16. LOAN FROM 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 shareholder 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 as per provisions of the Implementing Regulations No. 1/92 issued by the Jebel Ali Free Zone Authority and the 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 to related parties are 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.

	2012 AED	2011 AED	2012 Rs.Crore	2011 Rs.Crore
18. STAFF COSTS				
Staff salaries and benefits	9,203,525	6,929,351	12.75	8.41
Staff end-of-service gratuity	217,769	200,904	0.30	0.24
	9,421,294	7,130,255	13.05	8.66
19. OTHER OPERATING EXPENSES				
Operating lease expenses	438,619	619,829	0.61	0.75
Loss on sale of property, plant and equipment	87,454	–	0.12	–
Provision for doubtful debts	29,323	–	0.04	–
Selling expenses	37,124,528	35,814,170	51.42	43.47
Other expenses	8,851,560	6,904,563	12.26	8.38
	46,531,484	43,338,562	64.45	52.61
20. INTEREST INCOME				
On long term loans to subsidiaries	1,403,851	1,648,192	1.94	2.00
	1,403,851	1,648,192	1.94	2.00

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

21. FINANCE COSTS

On bank loans and overdrafts	1,986,794	1,614,081	2.75	1.96
On loan from parent company	–	206,562	–	0.25
	<u>1,986,794</u>	<u>1,820,643</u>	<u>2.75</u>	<u>2.21</u>

22. CASH USED IN OPERATIONS

	2012	2011	2012	2011
	AED	AED	Rs.Crore	Rs.Crore
Loss for the year	(709,078)	(11,988,110)	(0.98)	(14.55)
Adjustments for:				
Depreciation of property, plant and equipment	128,728	121,759	0.18	0.15
Loss on sale of property, plant and equipment	87,454	–	0.12	–
Finance costs	1,986,794	1,820,643	2.75	2.21
Interest income	(1,403,851)	(1,648,192)	(1.94)	(2.00)
Operating loss before changes in operating assets and liabilities	90,047	(11,693,900)	0.12	(14.20)
Increase in trade and other receivables	(15,474,264)	(5,684,360)	(21.43)	(6.90)
Increase in trade and other payables	4,163,437	3,654,922	5.77	4.44
(Decrease)/Increase in staff gratuity provision	(57,340)	144,005	(0.08)	0.17
	<u>(11,278,120)</u>	<u>(13,579,333)</u>	<u>(15.62)</u>	<u>(16.48)</u>

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	
	2012	2011	2012	2011
	AED	AED	AED	AED
Non-current related party receivables	59,376,267	65,795,642	–	–
Trade and other receivables	43,466,440	27,347,942	–	–
Cash and cash equivalents	604,474	1,398,555	–	–
Bank borrowings	–	–	82,505,075	52,859,956
Trade and other payables	–	–	30,588,899	28,239,616
Loan from parent company	–	–	3,226,243	2,472,645
	1,03,447,181	94,542,139	1,16,320,217	83,572,217

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

	Loans and receivables		At amortised cost	
	2012	2011	2012	2011
	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore
Non-current related party receivables	82.24	79.87		–
Trade and other receivables	60.21	33.20		–
Cash and cash equivalents	0.84	1.70		–
Bank borrowings	–	–		64.17
Trade and other payables	–	–		34.28
Loan from parent company	–	–		3.00

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 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 71 % of trade receivables were due from three customers (previous year 82% due from four 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:

	2012	2011
	AED	AED
Asian Countries	1,958,325	284,997
Other Middle East Countries	25,706,150	17,726,947

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

Currency risk

There are no 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 Malaysia 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 loan to subsidiary company (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 LBOR 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 962,555 (previous year AED 782,174) higher or lower and interest income on variable rate loans and advances would have been AED 456,531 (previous year AED 520,725) higher or lower resulting in equity being higher or lower by AED 506,023 (previous year AED 261,449).

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 the 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 loans to wholly owned subsidiaries and loan from parent company which due to their terms, has fair value lower than the carrying value.

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:

	2012	2011	2012	2011
	AED	AED	Rs. Crore	Rs. Crore
Not later than one year	137,063	180,188	0.19	0.22
Between one and five years	505,800	758,700	0.7	0.92
	642,863	938,888	0.89	1.1

25. OTHER CONTRACTED COMMITMENTS

	2012	2011	2012	2011
	AED	AED	Rs. Crore	Rs. Crore
For advertisement services to be availed	231,210	-	0.32	-

For MARICO MIDDLE EAST FZE

DIRECTORS

KAYA MIDDLE EAST FZE

Board of Directors

Ajay Pahwa

Rajdeep Singh Narag (w.e.f. September 29, 2011)

Arvind Khanduri (w.e.f. September 29, 2011)

Kaustubh Roplekar (w.e.f. September 29, 2011)

Secretary, Manager, Negotiator

Arvind Khanduri (w.e.f. September 29, 2011)

Registered Office

Office Bldg. 2, F-30, & 13 G - 04, P.O. Box 41756,
Hamriyah Free Zone, Sharjah, UAE

Auditors

M/s Pannell Kerr Forster
Chartered Accountants

Bankers

Standard Chartered Bank
Mashreq 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 2012, 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 20.

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 at 31 March 2012, 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 reporting date, the establishment has accumulated losses of AED 44,957,524 and net deficit of AED 44,807,524 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

As the net assets of the establishment are below 75% of its share capital, the directors are required to take steps to intimate the Hamriya Free Zone Authority and remedy the situation in accordance with the Implementation procedures issued by the Hamriya Free Zone Authority pursuant to Sharjah Emiree Decree No. 6 of 1995. We have been informed that the directors will intimate the Free Zone Authorities and take steps to remedy the situation.

We further confirm that, except for the matter stated above, 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
18th April 2012

KAYA MIDDLE EAST FZE

BALANCE SHEET

As At 31 March, 2012					
Notes	2012 AED	2011 AED	2012 Rs. Crore	2011 Rs. Crore	
NON-CURRENT ASSETS					
Property, plant and equipment	7	17,355,378	17,503,581	24.04	21.25
Capital advance	8	109,023	2,627,671	0.15	3.19
		17,464,401	20,131,252	24.19	24.44
CURRENT ASSETS					
Inventories	9	4,851,301	6,283,123	6.72	7.63
Trade and other receivables	10	10,559,902	17,236,441	14.63	20.92
Cash and cash equivalents	11	9,706,271	1,769,208	13.44	2.15
		25,117,474	25,288,772	34.79	30.70
TOTAL ASSETS		42,581,875	45,420,024	58.98	55.14
CURRENT LIABILITIES					
Book overdraft		–	1,070,700	–	1.30
Bank borrowings	12	12,352,618	–	17.11	–
Trade and other payables	13	28,420,355	10,905,837	39.37	13.24
Amounts due to related parties	14	725,850	2,202,167	1.01	2.67
		41,498,823	14,178,704	57.48	17.21
NON-CURRENT LIABILITIES					
Provision for staff end-of-service gratuity	15	1,749,952	1,428,404	2.42	1.73
SHAREHOLDER'S FUNDS					
Share capital	16	150,000	150,000	0.21	0.18
Accumulated losses		(44,957,524)	(13,183,210)	(62.27)	(16.00)
Deficit in equity		(44,807,524)	(13,033,210)	(62.06)	(15.82)
Loan from shareholder	17	44,140,624	42,846,126	61.14	52.01
		(666,900)	29,812,916	(0.92)	36.19
TOTAL EQUITY AND LIABILITIES		42,581,875	45,420,024	58.98	55.14

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 15 April 2012.

For KAYA MIDDLE EAST FZE

Date: 18th April 2012

Director

Note - The exchange rate used to convert AED to Rs. <13.851> / <AED> (Rs. <12.139> / <AED>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

KAYA MIDDLE EAST FZE

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 st March 2012			
		2012 AED	2011 AED	2012 Rs. Crore	2011 Rs. Crore
REVENUE		65,141,789	46,518,954	90.23	56.47
Direct costs	19	(54,645,198)	(34,468,413)	(75.69)	(41.84)
GROSS PROFIT		10,496,591	12,050,541	14.54	14.63
Other operating income	20	1,712,051	77,820	2.37	0.09
Selling and marketing expenses		(9,572,455)	(5,183,810)	(13.26)	(6.29)
Administrative and general expenses	21	(32,966,953)	(14,221,989)	(45.66)	(17.26)
LOSS FROM OPERATING ACTIVITIES		(30,330,766)	(7,277,438)	(42.01)	(8.83)
Finance costs	22	(1,443,548)	(960,123)	(2.00)	(1.17)
LOSS FOR THE YEAR		(31,774,314)	(8,237,561)	(44.01)	(10.00)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(31,774,314)	(8,237,561)	(44.01)	(10.00)

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: 18th April 2012

Director

Note - The exchange rate used to convert AED to Rs. <13.851> / <AED> (Rs. <12.139> / <AED>)

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KAYA MIDDLE EAST FZE

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 31.3.2010	150,000	(4,945,649)	(4,795,649)	0.21	(6.85)	(6.64)
Total comprehensive income for the year	–	(8,237,561)	(8,237,561)	–	(11.41)	(11.41)
As at 31.3.2011	150,000	(13,183,210)	(13,033,210)	0.21	(18.26)	(18.05)
Total comprehensive income for the year	–	(31,774,314)	(31,774,314)	–	(44.01)	(44.01)
As at 31.3.2012	150,000	(44,957,524)	(44,807,524)	0.21	(62.27)	(62.06)

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: 18th April 2012

Director

Note - The exchange rate used to convert AED to Rs. <13.851> / <AED> (Rs. <12.139> / <AED>)
 "The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

KAYA MIDDLE EAST FZE

CASH FLOW STATEMENT

		Year ended 31 st March 2012			
Notes	2012 AED	2011 AED	2012 Rs. Crore	2011 Rs. Crore	
Cash flows from operating activities					
Cash generated from/(used in) operations	24	348,594	(8,365,863)	0.48	(10.16)
Finance costs (1,443,548)		(1,443,548)	(960,123)	(2.00)	-
Net cash used in operating activities		(1,094,954)	(9,325,986)	(1.52)	(11.32)
Cash flows from investing activities					
Purchase of property, plant and equipment		(4,586,730)	(10,247,869)	(6.35)	(12.44)
Decrease/(increase) in advance for purchase of property, plant and equipment		2,518,648	(-1,637,590)	3.49	(1.99)
Net cash used in investing activities		(-2,068,082)	(-11,885,459)	(2.86)	(14.43)
Cash flows from financing activities					
(Decrease)/increase in amounts due to related parties.		(-1,476,317)	1,546,059	(2.04)	1.88
Proceeds from bank overdraft (net)		12,352,618	-	17.11	
Receipt of loan from shareholder (net)		1,294,498	19,022,008	1.79	23.09
Net cash from financing activities		12,170,799	20,568,067	16.86	24.97
Net increase/(decrease) in cash and cash equivalent		9,007,763	(643,378)	12.48	(0.78)
Cash and cash equivalents at beginning of year		698,508	1,341,886	0.97	1.63
Cash and cash equivalents at end of year	25	9,706,271	698,508	13.44	0.85

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: 18th April 2012

Director

Note - The exchange rate used to convert AED to Rs. <13.851> / <AED> (Rs. <12.139> / <AED>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 are below 75% of its share capital, the directors are required to take steps to intimate the Hamriya Free Zone Authority and remedy the situation in accordance with the Implementation procedures 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. We have been informed that the directors will intimate the Free Zone Authorities and take steps to remedy the situation.

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 the 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 April 2011, 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 44,957,524 and net deficit of AED 44,807,524 in equity funds. However, the ultimate parent company has agreed to continue with the operations 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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. Revenue is recognised when significant risks and rewards relating to the ownership of goods concerned are transferred to the customer.

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 and bank 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 2012

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 5,327,301 (previous year AED 6,282,123) 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 receivable 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 1,749,952 (previous year AED 1,428,404), 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 2012

- * IAS24: Related Party Disclosures

Improvements to IFRS

- * IFRS 7: Financial Instruments ; Disclosures
- * IAS1: Presentation of Financial Statements

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:

- * IFRS 9: Financial Instruments (1 January 2013)

Presentation of items in Other Comprehensive Income: Amendment to IAS 1 (1 July 2012)

- * IAS 19: Employee Benefits (1 Januar2013)"

IFRS 13: Fair Value Measurement (15 January 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 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
Transfer	(894,058)	10,000	208,742	675,316	–	–
Write offs	–	(354,091)	(645,748)	–	–	(999,839)
As at 31 March 2011	3,478,092	8,884,266	11,259,388	3,452,271	234,430	27,308,447
Additions	2,774	1,567,933	2,706,356	309,667	–	4,586,730
Transfer	(2,723,289)	1,582,802	1,021,426	119,061	–	–
Write offs	(315,829)	–	(10,339)	–	–	(326,168)
As at 31 March 2012	441,748	12,035,001	14,976,831	3,880,999	234,430	31,569,009
Accumulated depreciation and impairment losses						
As at 1 April 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
Depreciation	–	1,257,148	1,713,196	579,949	36,734	3,587,027
Adjustment relating write off	–	–	(8,262)	–	–	(8,262)
Impairment losses	–	608,862	176,030	45,108	–	830,000
As at 31 March 2011	–	6,762,592	6,422,794	939,447	88,798	14,213,631
Net book values						
As at 1 April 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
As at 31 March 2012	441,748	5,272,409	8,554,037	2,941,552	145,632	17,355,378

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 2010	1.15	9.63	10.68	0.28	0.19	21.92
Additions	4.16	1.57	3.51	3.09	0.10	12.44
Transfer	(1.09)	0.01	0.25	0.82	–	–
Write offs	–	(0.43)	(0.78)	–	–	(1.21)
As at 31 March 2011	4.22	10.78	13.67	4.19	0.28	33.15
Additions	0.00	2.17	3.75	0.43	0.00	6.35
Transfer	(3.77)	2.19	1.41	0.16	–	–
Write offs	(0.44)	–	(0.01)	–	–	(0.43)
As at 31 March 2012	0.61	16.67	20.74	5.38	0.32	43.73
Accumulated depreciation and impairment losses						
As at 1 April 2010	–	4.62	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)	–	–	(1.14)
As at 31 March 2011	–	5.94	5.51	0.38	0.06	11.90
Depreciation	–	1.74	2.37	0.80	0.05	4.97
Adjustment relating write off	–	–	(0.01)	–	–	(0.01)
Impairment losses	–	0.84	0.24	0.06	–	1.15
As at 31 March 2011	–	9.37	8.90	1.30	0.12	19.69
Net book values						
As at 1 April 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
As at 31 March 2012	0.58	6.88	11.16	3.84	0.19	22.63

Notes

- Capital work-in-progress relates to interior decoration of clinics amounting to AED Nil (Previous year AED 1,849,090), machinery and clinic equipment amounting to AED 291,211 (Previous year AED 656,195) and office furniture, fixtures and equipment amounting to AED 150,537 (Previous year AED 972,807)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

8 CAPITAL ADVANCES

Capital advances represent advances paid for interior decoration of clinics amounting to AED 109,023 (previous year AED 1,109,023), machinery and clinic equipment amounting to AED Nil (previous year AED 1,463,908) and office furniture, fixtures and equipment amounting to AED Nil (previous year AED 54,740).

	2012	2011	2012	2011
	AED	AED	Rs. Crore	Rs. Crore
9. INVENTORIES				
Consumable and spares	5,327,301	6,283,123	7.38	7.63
Less: provision for expired inventories	(476,000)	–	(0.66)	–
	4,851,301	6,283,123	6.72	7.63
10. TRADE AND OTHER RECEIVABLES				
Trade receivables (A)	782,973	1,466,984	1.08	1.78
Advances	5,163,379	9,377,943	7.15	11.38
Less: Provision for advances	(905,000)	–	(1.25)	–
(B)	4,258,379	9,377,943	5.90	11.38
Prepayments	3,829,763	4,296,424	5.30	5.22
Deposits	1,688,787	2,095,090	2.34	2.54
(C)	5,518,550	6,391,514	7.64	7.76
(A+B+C)	10,559,902	17,236,441	14.63	20.92

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

Opening balance	–	–	–	–
Provisions made during the year	905,000	–	1.25	–
	905,000	–	1.25	–

At the reporting date, there are no trade receivables that are past due but not impaired.

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	782,973	1,466,984	1.08	1.78
-------------------------------------------------	---------	-----------	------	------

The company does not hold any collateral against trade receivables.

	2012	2011	2012	2011
	AED	AED	Rs. Crore	Rs. Crore
11. CASH AND CASH EQUIVALENTS				
Cash on hand	1,251,629	532,482	1.73	0.65
Bank balances in current account	8,454,642	1,236,726	11.71	1.50
	9,706,271	1,769,208	13.44	2.15

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

12. BANK BORROWINGS

Overdrafts	12,352,618	–	17.11	–
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An analysis of banks of amount outstanding is as follows :

Standard Chartered Bank	12,352,618	–	17.11	–
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Bank overdraft is secured against promissory note for US\$ 5,000,000, stand-by letter of credit and/or bank guarantee for US\$ 5,000,000.

13. TRADE AND OTHER PAYABLES

Trade payables	2,296,766	–	3.18	–
Accruals	9,298,246	1,137,589	12.18	1.38
Advances received from customers	16,825,343	9,768,248	22.30	11.86
	<u>28,420,355</u>	<u>10,905,837</u>	<u>39.37</u>	<u>13.24</u>

The entire trade and other payables are due for payment in one year.

14. 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.

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

	Parent	Companies company common ownership/ management control	Directors under	Total 2012	Total 2011
	AED	AED	AED	AED	AED
Included in trade and other receivables	–	–	132,500	132,500	–
	–	–	254,870	–	254,870
Disclosed as due to a related party	–	725,850	–	725,850	–
	–	2,202,167	–	–	2,202,167
Loan from shareholder	44,140,624	–	–	–	44,140,624
	42,846,126	–	–	–	42,846,126

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in Notes 17 and 26.

KAYA MIDDLE EAST FZE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

	Parent	Companies company comman ownership/ management control	Directors under	Total 2012	Total 2011
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Included in trade and other receivables	-	-	0.18	0.18	-
	-	-	0.31	-	0.13
Disclosed as due to a related party	-	1.01	-	1.01	-
	-	2.67	-	-	-
Loan from shareholder	61.14	-	-	61.14	-
	52.01	-	-	-	52.01

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

	Parent company	Companies under comman ownership/ management control	Directors 2012	Total 2011	Total
	AED	AED	AED	AED	AED
Purchases	-	379,058	-	379,058	-
	-	617,981	-	-	617,981
Directors salaries & benefits	-	-	1,466,360	1,466,360	-
	-	-	1,292,764	1,292,764	-
End-of-service gratuity	-	-	7,140	7,140	-
	40,580	-	40,580	-	-
Finance costs	1,330,642	-	-	1,330,642	-
	960,123	-	-	997,123	-
Recharge of expenses	559,474	-	559,474	-	-
	287,883	1,276,521	-	1,564,404	-
Operating lease expenses	409,329	-	-	409,329	-
	471,935	-	-	-	471,935

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

	Parent company	Companies under common ownership/ management control	Directors	Total 2012	Total 2011
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Purchases	–	0.53	–	0.55	–
	–	0.75	–	–	–
Directors salaries & benefits	–	–	2.03	2.03	–
	–	–	1.57	0.00	1.57
End-of-service gratuity	–	–	0.01	0.01	–
	–	0.05	0.00	0.05	–
Finance costs	1.84	–	–	1.84	–
	1.17	–	–	0.00	1.21
Recharge of expenses	–	0.77	–	0.77	–
	0.35	1.55	–	–	1.90
Operating lease expenses	0.57	–	–	0.57	–
	0.57	–	–	–	0.57

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

15 PROVISION FOR STAFF END-OF-SERVICE GRATUITY

	2012 AED	2011 AED	2012 Rs. Crore	2011 Rs. Crore
Opening balance	1,428,404	1,230,367	1.98	1.49
Provision for the year	712,371	398,436	0.99	0.48
Paid during the year	(390,823)	(200,399)	(0.54)	(0.24)
Closing balance	<u>1,749,952</u>	<u>1,428,404</u>	<u>2.42</u>	<u>1.73</u>

16 SHARE CAPITAL

Issued and paid up:

1 share of AED 150,000	150,000	150,000	0.21	0.18
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17 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.

18 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 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 provisions of the Implementing Rules and Regulations issued by the Hamriya Free Zone Authority pursuant to Sharjah Emiree Decree no. 6 of 1995. However, the establishment has not complied with the externally imposed capital requirement of net assets not falling below 75% of

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

the share capital.

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.

19 DIRECT COSTS

	2012	2011	2012	2011
	AED	AED	Rs. Crore	Rs. Crore
Consumables and stores consumed	17,829,065	8,083,346	24.70	9.81
Salaries and benefits	26,565,147	18,265,565	36.80	22.17
End-of service gratuity	567,634	317,483	0.79	0.39
Operating lease expenses	6,275,003	4,744,298	8.69	5.76
Depreciation (Note 23)	3,408,349	3,057,721	4.72	3.71
	54,645,198	34,468,413	75.69	41.84

20 OTHER OPERATING INCOME

Credit balances written back	1,700,844	–	2.36	–
Miscellaneous income	11,207	77,820	0.02	0.09
	1,712,051	77,820	2.37	0.09

21 ADMINISTRATIVE EXPENSES

Directors salaries and benefits	1,466,360	1,292,764	2.03	1.57
End of service gratuity	7,140	40,580	0.01	0.05
Staff salaries and benefits	7,813,979	3,295,986	10.82	4.00
Staff end-of-service gratuity	137,596	40,373	0.19	0.05
Operating lease expenses	523,842	437,192	0.73	0.53
Travelling expenses	4,447,142	3,018,783	6.16	3.66
Inventory provision	476,000	–	0.66	–
Provision for advances	905,000	–	1.25	–
Other administration and general expenses	16,181,216	5,904,889	22.41	7.17
Loss on sale of property, plant and equipment (net)	–	63,748	–	0.08
Depreciation (Note 23)	178,678	127,674	0.25	0.15
Impairment of property, plant and equipment (Note 7)	830,000	–	1.15	–
	32,966,953	14,221,989	45.66	17.26

22 FINANCE COST

On overdraft	112,906	–	0.16	–
On shareholder's loan	1,330,642	960,123	1.84	1.17
	1,443,548	960,123	2.00	1.17

23 DEPRECIATION

Allocated to direct costs (Note 19)	3,408,349	3,057,721	4.72	3.71
Allocated to administrative expenses (Note 21)	178,678	127,674	0.25	0.15
	3,587,027	3,185,395	4.97	3.87

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

24 CASH GENERATED FROM / (USED IN) OPERATIONS

Loss for the year	(31,774,314)	(8,237,561)	(41.44)	(10.00)
Adjustments for:	0.00	0.00	–	–
Depreciation of property, plant and equipment	3,587,027	3,185,395	4.97	3.87
Write off of property, plant and equipment (net)	317,906	–	0.44	–
Loss on sale of property, plant and equipment (net)	–	63,748	–	0.08
Impairment of property, plant and equipments	830,000	–	1.15	–
Finance costs	1,443,548	960,123	2.00	1.17
Operating loss before changes in operating assets and liabilities	(25,595,833)	(4,028,295)	(35.45)	(4.89)
Decrease/(increase) in Inventories	1,431,822	(3,888,154)	1.98	(4.72)
Decrease/(increase) in trade and other receivables	6,676,539	(10,562,931)	9.25	(12.82)
Increase in trade and other payables	17,514,518	9,915,479	24.26	12.04
Increase in staff gratuity provision	321,548	198,038	0.45	0.24
	348,594	(8,365,863)	0.48	(10.16)

25 RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as disclosed in the statement of financial position	9,706,271	1,769,208	13.44	2.15
Less: Book overdraft	–	(1,070,700)	–	(1.30)
Cash and cash equivalents as disclosed in the cash flow statements	9,706,271	698,508	13.44	0.85

26 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	
	2012 AED	2011 AED	2012 AED	2011 AED
Trade and other receivables	3,717,768	6,350,712	–	–
Cash and cash equivalents	9,706,271	1,769,208	–	–
Book overdraft	–	–	–	1,070,700
Bank borrowings	–	–	12,352,618	–
Trade and other payable	–	–	9,052,743	10,814,568
Amounts due to related parties	–	–	725,850	2,202,167
Loan from shareholder	–	–	44,140,624	42,846,126
	13,424,039	8,119,920	66,271,835	56,933,561

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

	Loans and receivables		At amortised cost	
	2012 Rs. Crore	2011 Rs. Crore	2012 Rs. Crore	2011 Rs. Crore
Trade and other receivables	5.15	7.71	–	–
Cash and cash equivalents	13.44	2.15	–	–
Book overdraft	–	–	–	1.30
Bank borrowings	–	–	17.11	–
Trade and other payable	–	–	12.54	13.13
Amounts due to related parties	–	–	1.01	2.67
Loan from shareholder	–	–	61.14	52.01
	17.51	9.86	91.79	69.11

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 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 other receivables are stated net of the 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 and borrowings are subject to floating interest rates at levels generally obtained in the UAE 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 564,932 higher or lower (previous year AED 428,461) resulting in equity being higher or lower by AED 564,932 (previous year AED 428,461).

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 2012

	Singapore Dollar		Indian Rupees	
	2012 AED	2011 AED	2012 AED	2011 AED
Amount due to a related party	5,222	4,303	720,628	2,197,864
	<u>5,222</u>	<u>4,303</u>	<u>720,628</u>	<u>2,197,864</u>

	Singapore Dollar		Indian Rupees	
	2012 Rs. Crore	2011 Rs. Crore	2012 Rs. Crore	2011 Rs. Crore
Amount due to a related party	0.01	0.01	1.00	2.67
	<u>0.01</u>	<u>0.01</u>	<u>1.00</u>	<u>2.67</u>

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.

27 OPERATING LEASE COMMITMENTS

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

	2012		2011	
	AED	AED	Rs. Crore	Rs. Crore
Not later than one year	5,803,332	5,326,668	8.04	6.47
Between one and five years	10,552,815	18,817,492	14.62	22.84
Later than five years	—	569,580	—	0.69

For KAYA MIDDLE EAST FZE

Director

Director

Date: 18th April 2012

MEL CONSUMER CARE SAE

Board of Directors

Debashish Neogi

Milind Sarwate

Padmanabh Maydeo

Saumitra Bhat

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 & Auditing,
Nassef Law firm

INDEPENDENT AUDITORS' REPORT

To: The shareholders of MEL Consumer Care Company SAE

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, 2012 and the unconsolidated statements of income, of changes in shareholders' equity and 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 unconsolidated 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 unconsolidated 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 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 unconsolidated financial statements present fairly in all material respects, the financial position of MEL Consumer Care Company SAE as of March 31, 2012 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 31/3/2012

EGP 9 316 651 including current year losses which exceeds the issued and paid capital, that requires an extra-ordinary general assembly according to article no. (69) of law no. 159 for year 1981 to decide on the continuity or not of the company according to article no. (60) of the article of association.

Kindly be informed that current liabilities exceed current assets of EGP 11 978 734 as of March 31, 2012.

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 financial information included in the board of directors' report in compliance with companies law No. 159 year 1981 and its executive regulation and its agreement with the accounting record of the company to the extent that such information is recorded therein.

Cairo 15/04/2012

Sherin Nouredin
R.A.A 6809
Moore Stephens Egypt

MEL CONSUMER CARE SAE

BALANCE SHEET

As at March 31, 2012					
	Note No.	2012 EGP	2011 EGP	2012 Rs. Crore	2011 Rs. Crore
Long term assets					
Fixed assets (net)	(2-5,5)	35	17,846	–	0.01
Investments in subsidiaries	(2-6,6)	3,116,358	3,116,358	2.62	2.33
Total Long Term Assets		3,116,393	3,134,204	2.62	2.35
Current assets					
Due from related parties	(2-11,7)	33,268,514	26,632,003	28.02	19.93
Debtors and other debit accounts	(3-1,8)	9,259	17,834	0.01	0.01
Cash at banks	(9)	2,202	3,879	–	–
Total current assets		33,279,975	26,653,716	28.03	19.94
Current liabilities					
Provisions	(2-9,10)	203,197	234,000	0.17	0.18
Due to related parties	(2-11,11)	45,015,512	38,248,765	37.92	28.62
Creditors and other credit accounts	(3-2,12)	40,000	20,142	0.03	0.02
Total Current Liabilities		45,258,709	38,502,907	38.12	28.81
Working capital (Deficit)		(11,978,734)	(11,849,191)	(10.09)	(8.87)
Total investment		(8,862,341)	(8,714,987)	(7.46)	(6.52)
To be financed as follows :					
Shareholders' equity					
Issued and paid capital	(13)	250,000	250,000	0.21	0.19
Legal reserve	(2-14)	204,310	204,310	0.17	0.15
Retained (losses)		(9,169,297)	(8,509,452)	(7.72)	(6.37)
Net (Losses) of the year		(147,354)	(659,845)	(0.12)	(0.49)
Total shareholders' equity		(8,862,341)	(8,714,987)	(7.46)	(6.5)
Total finance working capital and long term assets		(8,862,341)	(8,714,987)	(7.46)	(6.52)

The accompanying notes from (1) to (17) form an integral part of these financial statements and are to be read therewith.

Auditor's report attached.

Debashish Neogi

Chairman

Saumitra Bhat

Financial Manager Sherin Noureldin

Sherin Noureldin
R.A.A 6809
Moore Stephens Egypt

Note: The exchange rate used to convert EGP to Rs. <8.423> / <EGP> (Rs. <7.483> / <EGP>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

MEL CONSUMER CARE SAE

INCOME STATEMENT

Unconsolidated income statement For the financial year ended March 31, 2012

For the year ended 31 March 2012

	Note No.	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2011 Rs. Crore
Expenses					
General and administrative expenses	(2-13)	103,279	97,222	0.09	0.07
Depreciation of fixed assets	(2-5)	17,811	50,000	0.02	0.04
Bank charges		1,645	2,421	–	–
Provision of claims	(2-9,10)	341	–	–	–
Add / (less)					
Exchange rate different	(2-4)	132,618	815,023	0.11	0.61
Capital gains		(108,340)	–	(0.09)	–
Provision no longer required		–	(293,421)	–	(0.22)
Other income		–	(11,400)	–	(0.01)
Net (Losses) of the year		(147,354)	(659,845)	(0.12)	(0.49)
Per share of (losses)	(2-17,14)	(58.942)	(2639.38)	–	–

Debashish Neogi
Chairman

Saumitra Bhat
Financial Manager

Note: The exchange rate used to convert EGP to Rs. <8.423> / <EGP> (Rs. <7.483> / <EGP>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

STATEMENT OF CHANGES IN EQUITY

Unconsolidated changes in shareholders's equity for the financial year ended March 31, 2012

Description	Issued & paid capital EGP	Legal reserve EGP	Retained (losses) EGP	(Losses) of the year EGP	Total EGP
Balance as at 1/4/2010	250,000	204,310	–	–	(8,055,142)
Retained losses	–	–	(8,509,452)	–	–
Losses of the year	–	–	–	(659,845)	(659,845)
Balance as at 31/3/2011	250,000	204,310	(8,509,452)	(659,845)	(8,714,987)
Transferred to retained losses	–	–	(659,845)	659,845	–
Losses of the year	–	–	–	(147,354)	(147,354)
Balance as at 31/3/2012	250,000	204,310	(9,169,297)	(147,354)	(8,862,341)

Description	Issued & paid capital EGP	Legal reserve EGP	Retained (losses) EGP	(Losses) of the year EGP	Total EGP
Balance as at 1/4/2010	0.20	0.16	–	–	(6.49)
Retained losses	–	–	(6.86)	–	–
Losses of the year	–	–	–	(0.53)	(0.53)
Balance as at 31/3/2011	0.19	0.15	(6.37)	(0.49)	(6.52)
Transferred to retained losses	–	–	(0.56)	0.56	–
Losses of the year	–	–	–	(0.12)	(0.12)
Balance as at 31/3/2012	0.21	0.17	(7.72)	(0.12)	(7.46)

The accompanying notes from (1) to (17) form an integral part of these financial statements and are to be read therewith.

Debashish Neogi

Chairman

Saumitra Bhat

Financial Manager

Note: The exchange rate used to convert EGP to Rs. <8.423> / <EGP> (Rs. <7.483> / <EGP>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

UNCONSOLIDATED CASH FLOW STATEMENT

For the financial year ended March 31, 2012

	Note No.	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2011 Rs. Crore
Cash flows from operating activities					
Net (losses) of the year		(147,354)	(659,845)	(0.12)	(0.49)
Adjustments to reconcile (losses) to net cash (used in) operating activities					
Depreciation of fixed assets		17,811	50,000	0.02	0.04
Formed for provision of claims		341	–		
Provision of claims (used)		(31,144)	–	(0.03)	–
Provision no longer required		–	(243,074)	–	(0.18)
Capital (gains)		(108,340)	–	(0.09)	–
Operating (losses) before Change in working capital		(268,686)	(852,919)	(0.23)	(0.64)
(Increase) in due from related parties		(6,636,511)	(2,382,619)	(5.59)	(1.78)
Decrease (Increase) in debtors and other debit accounts		8,575	(10,825)	0.01	(0.01)
Increase in due to related parties		6,766,747	3,213,671	5.70	2.40
Increase in creditors and other credit accounts		19,858	5,142	0.02	-
Net cash flows (used in) operating activities		(110,017)	(27,550)	(0.09)	(0.02)
Cash flows from investment activities					
Received from sale of fixed assets		108,340	–	0.09	–
Net cash flows (available from) investment activities		108,340	–	0.09	–
Net change in cash at banks during the year		(1,677)	(27,550)	–	–
Cash at banks at the beginning of the year		3,879	31,429	–	0.02
Cash at banks at the end of the year	(16-2)	2,202	3,879	–	–

The accompanying notes from (1) to (17) form an integral part of these financial statements and are to be read therewith

Debashish Neogi

Chairman

Saumitra Bhat

Managing Director

Note: The exchange rate used to convert EGP to Rs. <8.423> / <EGP> (Rs. <7.483> / <EGP>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

(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 1st 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 the 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 Co. for Investment and Industrial Development factory and produced through it according to the 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 the 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 products related to consumer care and skin care at third party's factories, selling and distributing 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 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 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

2-5- Fixed assets and depreciated

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:

	Useful life Year
Furniture & office equipment	4
Computers	2
Vehicles	4

2-6- Investment in subsidiary 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 affiliated 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 investment 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- 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.

2-8- 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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

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.

2-9- 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.

2-10-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.

2-11- 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.

2-12- 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.

2-13-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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

2-14-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.

2-15-Cash flows statement

The cash flow statement will be prepared according to the indirect method.

2-16-Cash at banks

For the purpose of the cash flows statement, cash at banks are to be considered cash at banks, short term fixed deposits, checks under collection and letters of guarantee cover, if any.

2-17-Losses per share

Losses per share are calculated by the weighted average method according to the number of shares during the year.

(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

Debtors are recognized initially at actual value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors 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 granted credit limits) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's 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 the loss is recognized in the income statement. When a Debtor is uncollectible, it is written off against the allowance account for receivables.

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 their fair values . The notes to the financial statements include the significant polices used in recording and measuring significant financial instruments and the related revenues and expenses.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

5) Fixed assets (net)

Net fixed assets as of March 31, 2012 amounted to EGP 35 represents as follows:-

Description	Furniture & Office equipment	Vehicles	Computers	Total
	EGP	EGP	EGP	EGP
Cost as of 1/4/2011	390,388	200,000	445,338	1,035,726
Disposal during the year	–	200,000	10,275	210,275
Cost as of 31/3/2012	390,388	–	435,063	825,451
Acc. depreciation at 1/4/2011	390,384	182,189	445,307	1,017,880
Depreciation of the year	–	17,811	–	17,811
Acc. depreciation for disposals	–	(200,000)	(10,275)	(210,275)
Acc. depreciation at 31/3/2012	390,384	–	435,032	825,416
Net fixed assets as of 31/3/2012	4	–	31	35
Net fixed assets as of 31/3/2011	4	17,811	31	17,846

Description	Furniture & Office equipment	Vehicles	Computers	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Cost as of 1/4/2011	0.31	0.16	0.36	0.83
Disposal during the year	–	0.15	0.01	0.16
Cost as of 31/3/2012	0.29	–	0.33	0.62
Acc. depreciation at 1/4/2011	0.31	0.15	0.36	0.82
Depreciation of the year	–	0.01	–	0.01
Acc. depreciation for disposals	–	(0.15)	(0.01)	(0.16)
Acc. depreciation at 31/3/2012	0.29	–	0.33	0.62
Net fixed assets as of 31/3/2012	–	–	–	–
Net fixed assets as of 31/3/2011	–	0.01	–	0.01

6) Investments in subsidiaries

The balance of investments in subsidiaries as of March 31, 2012 amounted to EGP 3, 116, 358 represents as follows:

	31/3/2012 EGP	31/3/2012 EGP	31/3/2012 Rs. Crore	31/3/2012 Rs. Crore
Marico Egypt Industries Company (MEI)	1,506,718	1,506,718	1.27	1.13
MEL Consumer Care & Partner Company (Wind)	1,609,640	1,609,640	1.36	1.2
	3,116,358	3,116,358	2.62	2.33

- The contribution percentage in Marico Egypt Industries Company (MEI) is 99%.
- Marico Egypt Industries Company (MEI) is the new name for Pyramids Modern Industries.
- The contribution percentage in MEL Consumer Care & Partner Company (Wind) is 99%.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

7) Due from related parties

The balance of due from related parties as of March 31, 2012 amounted to EGP 33 268 514 represents as follows:

	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2011 Rs. Crore
MEL Consumer Care & Partner Company (Wind) Egyptian American Co. for investment and Industrial Development (EAIIDC)	30,683,736	19,910,421	25.84	14.90
	2,584,778	6,721,582	2.18	5.03
	33,268,514	26,632,003	28.02	19.93

8) Debtors and other debit account

The balance of debtors and other debit accounts as of March 31, 2012 amounted to EGP 9 259 represents as follows:

	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2011 Rs. Crore
Sundry debtors	6,259	6,259	0.01	-
Prepaid expenses	3,000	11,575	-	0.01
	9,259	17,834	0.01	0.01

9) Cash at banks

This item is made up as follows :-

	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2011 Rs. Crore
HSBC Banks — current accounts - EGP	2,090	1,852	-	-
HSBC Banks — current accounts - USD	112	2,027	-	-
	2,202	3,879	-	-

10) Provisions

This item is made up as follows:

	Balance as of 01/04/2011 EGP	Formed during the year EGP	Used during the year EGP	Balance as of 31/3/2012 EGP
	234,000	5,164	35,967	203,197
	Balance as of 01/04/2011 Rs.Crore	Formed during the year Rs.Crore	Used during the year Rs.Crore	Balance as of 31/3/2012 Rs.Crore
	0.19	-	0.03	0.17

11) Due from related parties

The balance of due to related parties as of March 31, 2012 amounted to EGP 45 015 512 represents as follows:

	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2011 Rs. Crore
Marico Middle East Company (MME) Holding Company	10,858,225	10,725,633	9.15	8.03
Marico Egypt for Industries Company (MEI)	34,157,287	27,523,132	28.77	20.60
	45,015,512	38, 248,765	37.92	28.62

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

12) Creditors and other credit accounts

This Item is made up as follows :-

	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2009 Rs. Crore
Withholding tax	–	142	–	–
Accrued Expenses	40,000	20,000	0.03	0.01
	40,000	20,142	0.03	0.02

13) Issued and paid capital

The authorized capital was determined by EGP 2,500,000 (Two million five hundred thousand Egyptian pounds) and the issued capital is 250,000 (two hundred fifty thousand Egyptian pounds) distributed into 250 shares (Two hundred fifty shares), the nominal value of each share is EGP 1000 (One thousand Egyptian pounds), distributed among shareholders as follows:-

Name	Nationality	No. of Share	Amount EGP	Rs. Crore
Harshraj Charandas Mariwala	Indian	1	1000	–
Milind Shripad Sarwate	Indian	1	1000	–
Vijay Subramaniam	Indian	1	1000	–
Marico Middle East,	Emirates	247	247,000	0.21
		250	250,000	0.21

14) Losses per share

	31/3/2012 EGP	31/3/2011 EGP	31/3/2012 Rs. Crore	31/3/2009 Rs. Crore
Net losses for year	147,354.00	659,845	0.12	0.49
Shares No.	250	250	–	–
Per share loss (EGP/Share)	589.42	2639.38	–	–

15) Transactions with related parties

Party name	Nature of Relation	Nature of transaction EGP	2012 Size of transaction EGP	2012 Size of transaction Rs.Crore
MEL Consumer Care & Partner Company (Wind)	Affiliated company	Financing	10,773,316	9.07
Egyptian American Co. For Investment and Industrial Development (EAIIDC)	Affiliated company	Financing	(4,136,804)	(3.48)
Marico Middle East Company (MME)	Affiliated company	Financing	(132,593)	(0.11)
Marico Egypt for Industries Company (MEI)	Affiliated company	Financing	(6,634,155)	(5.59)

16) Financial instruments and risk management

The company's financial instruments are represented in monetary assets and liabilities, the assets include bank accounts & debtor accounts, the liabilities include loans, bank facilities and creditors. The accompanying notes are an integral part of the financial statements and show the financial policies applied for recording and measuring the most important financial instruments and related income and expenses. The following shows the risks related to the financial instruments and the procedures followed to minimize the effect of such risks.

16-1-Foreign currency risk

Exchange rate risk consists of the change in foreign currencies which affect revenues and expenses in foreign currencies and also evaluation of assets & liabilities in foreign currencies.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENT

For the financial year ended March 31, 2012

Foreign currency	(Deficit)	(Deficit)
	Foreign Currency	EGP
U.S Dollar	(1,791,768)	(10,858,113)

As stated in notes no. (2-4) foreign currency translation, assets and liabilities were reevaluated at year end at the exchange rate declared as of the date of balance sheet.

16-2 -Liquidity risk

This liquidity risk is represented in factors that impact the repayment of part or all the company's liability. Suitable procedures are taken to reduce that risk to the minimum according to the company policy.

16-3 -Interest risk

Interest risk represents the change in currency rate which affect the results of business and this risk does not exist because the company does not depend on bank credit facilities to finance working capital and long term assets.

16-4 -Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length basis and the book value is too close to the fair value.

(17) Tax status**First: Corporate tax**

- The company didn't scrutinize till now.
- The company submits its tax return on legal date.

Second: Salaries & Wages tax

- The company was scrutinized from beginning of activity till 31/3/2008.
- The company pays salaries & wages tax regularly.

Third: Stamp duty

- The company didn't scrutinize till now.
- The company pays stamp duty according to taxes system.

Fourth: Withholding tax

- The company pays withholding tax regularly.
- The company didn't scrutinize till now.

Fifth: Sales tax

- The company was scrutinized from beginning of activity till 31/3/2011.
- The company submits the sales tax reports regularly.

Debashish Neogi**Saumitra Bhat**

Chairman

Financial Manager

EGYPTIAN AMERICAN FOR INVESTMENT AND
INDUSTRIAL DEVELOPMENT COMPANY S.A.E

Board of Directors

Debashish Neogi

Padmanabh Maydeo

Saumitra Bhat

Marico Middle East represented by Vijay Subramaniam

Registered Office

11B Hegaz Sq., Mohandesen, Giza, Egypt

Auditors

Moore Stephens

Bankers

HSBC Limited

NSGB Limited

Legal Advisors

Yasser Maharem Office for Accounting and Auditing

Nassef Law Firm

EGYPTIAN AMERICAN FOR INVESTMENT AND
INDUSTRIAL DEVELOPMENT COMPANY S.A.E

INDEPENDENT AUDITORS' REPORT

To

The shareholders of Egyptian American Co. For Investment and Industrial Development 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, 2011 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.

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 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 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 Egyptian American Co. For Investment and Industrial Development SAE as of December 31, 2011 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

Considering that not a qualification the forward losses amount including the current fiscal year reached EGP 18, 571, 038 on 31/12/2011 and has exceeded the issued and paid capital which requires extraordinary general assembly according to article No. (69) of law No. 159 of 1981 to consider the 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 the company's management and in accordance with the proper process.

The financial information included in the Board of Directors' report in compliance with companies law No. 159 year 1981 and its executive regulation and its agreement with the accounting record of the company to the extent that such information is recorded therein.

Cairo 26/1/2012

Sherin Nouredin
R.A.A 6809
Moore Stephens Egypt

EGYPTIAN AMERICAN FOR INVESTMENT AND
INDUSTRIAL DEVELOPMENT COMPANY S.A.E

BALANCE SHEET

As at December 31, 2011					
	Note	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	No.	EGP	EGP	Rs. Crore	Rs. Crore
Assets					
Long - Term assets					
Fixed assets(net)	(2/5,4)	2,023,410	2,103,941	1.78	1.62
Project in progress	(2/7,5)	33,701	213,338	0.03	0.16
Total Long - Term assets		2,057,111	2,317,279	1.81	1.78
Current assets					
Inventory	(2/6,6)	3,440,584	2,162,570	3.03	1.67
Receivables	(3/1,7)	5,710,261	8,470,194	5.02	6.52
Debtors and debit balance	(3/1,8)	171,412	733,524	0.15	0.56
Cash at banks and equivalents	(9)	1,872,276	1,838,191	1.65	1.42
Total current assets		11,194,533	13,204,479	9.85	10.17
Current liabilities					
Banks overdraft		659,261	331,318	0.58	0.26
Due to related parties	(10)	15,482,328	17,379,812	13.62	13.38
Payables and notes payables	(3/2,11)	6,555,361	3,016,403	5.77	2.32
Creditors and other credit balances	(3/2,12)	1,773,778	1,596,085	1.56	1.23
Total current liabilities		24,470,728	22,323,618	21.53	17.19
Increase in current liabilities from Current assets		(13,276,195)	(9,119,139)	(11.68)	(7.02)
Total Investments		(11,219,084)	(6,801,860)	(9.87)	(5.24)
To be financed as follows					
Shareholders' Equity					
Issued and paid capital	(13/B)	6,892,000	6,892,000	6.06	5.31
Legal reserve	(2/16)	374,360	374,360	0.33	0.29
Other reserves		493	493	-	-
Forward losses		(14,153,814)	(10,847,488)	(12.45)	(8.35)
Net losses for the year		(4,417,224)	(3,306,326)	(3.89)	(2.55)
Total Shareholders' Equity		(11,304,185)	(6,886,961)	(9.95)	(5.30)
Long - Term liabilities					
Deferred tax liabilities	(2/20,14)	85,101	85,101	0.07	0.07
Total Shareholders' Equity and Long Term liabilities		(11,219,084)	(6,801,860)	(9.87)	(5.24)
Total financing working capital and long - term assets		(11,219,084)	(6,801,860)	(9.87)	(5.24)
Contingent liabilities for L/G		-	36,000	-	0.03

The accompanying notes on pages from (1) to (21) 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. 8.799/ EGP (Rs. 7.700/ EGP)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

EGYPTIAN AMERICAN FOR INVESTMENT AND
INDUSTRIAL DEVELOPMENT COMPANY S.A.E

INCOME STATEMENT

	Note	Year ended December 31, 2011			
		31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Sales(net)	(2/10,15)	18,406,203	22,055,430	16.20	16.98
Less:					
Costof sales		13,616,099	13,741,791	11.98	10.58
Gross profit		4,790,104	8,313,639	4.22	6.40
Less:					
Selling and distribution expenses		6,860,403	7,493,940	6.04	5.77
General and administrative expenses		1,697,917	4,531,985	1.49	3.49
Depreciation of fixed assets		340,521	231,785	0.30	0.18
Inventory write off		–	50,926	–	0.04
Royalty		90,600	100,819	0.08	0.08
		<u>8,989,441</u>	<u>12,409,455</u>	<u>7.91</u>	<u>9.56</u>
Operating losses		(4,199,337)	(4,095,816)	(3.69)	(3.16)
Add/(Less):					
Provision no longer required		–	963,532	–	0.74
Capital gains		160,214	133,627	0.14	0.10
Foreign exchange (losses)	(2/4)	(452,222)	(566,004)	(0.40)	(0.44)
Royalties from previous year		–	142,491	–	0.11
Other revenues		–	15,870	-	0.01
Scrap sales		74,121	112,485	0.07	0.09
Total		(217,887)	802,001	(0.19)	0.61
Net (losses) before deferred tax		(4,417,224)	(3,293,815)	(3.88)	(2.55)
Deferred tax	(2/20)	–	(12,511)	–	(0.01)
Net (losses) after deferred tax		(4,417,224)	(3,306,326)	(3.88)	(2.56)
Net losses per share(EGP/Share)	(2/21,16)	64.09	47.97	–	–

The accompanying notes on pages from (1) to (21) form integral part of these financial statements and are to be read therewith.

Auditor's report attached

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.799/ EGP (Rs. 7.700/ EGP)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

EGYPTIAN AMERICAN FOR INVESTMENT AND
INDUSTRIAL DEVELOPMENT COMPANY S.A.E

STATEMENT OF CHANGES IN EQUITY

Year ended as of December 31, 2011

Description	Issued and Paid capital	Legal Reserve	Other Reserve	Forwarded Profits losses	Net (loss) for the year	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 31-12-2009	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 as of 31-12-2009	<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>
Transfer to forwarded losses	-	-	-	(3,306,326)	3,306,326	-
Net (losses) for the year	-	-	-	-	(4,417,224)	(4,417,224)
Balance as of 31-12-2009	<u>6,892,000</u>	<u>374,360</u>	<u>493</u>	<u>(14,153,814)</u>	<u>(4,417,224)</u>	<u>(11,304,185)</u>

Description	Issued and Paid capital	Legal Reserve	Other Reserve	Forwarded Profits losses	Net (loss) for the year	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Balance as of 31-12-2009	5.85	0.32	-	1.28	(10.49)	(3.04)
Closed forward losses	-	-	-	(9.52)	9.52	-
Net (losses) for the year	-	-	-	-	(2.55)	(2.55)
Balance as of 31-12-2009	<u>5.31</u>	<u>0.29</u>	<u>-</u>	<u>(8.35)</u>	<u>(2.55)</u>	<u>(5.30)</u>
Transfer to forwarded losses	-	-	-	(2.91)	2.91	-
Net (losses) for the year	-	-	-	-	3.89	3.89
Balance as of 31-12-2009	<u>6.06</u>	<u>0.33</u>	<u>-</u>	<u>(12.45)</u>	<u>(3.89)</u>	<u>(9.95)</u>

The accompanying notes on pages from (1) to (21) form integral part of these financial statements and are to be read therewith.

Auditor's report attached

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.799/ EGP (Rs. 7.700/ EGP)

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EGYPTIAN AMERICAN FOR INVESTMENT AND
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CASH FLOWS STATEMENT

	Note	Year ended as of December 31, 2011			
		31/12/2011	31/12/2010	31/12/2011	31/12/2010
		EGP	EGP	Rs. Crore	Rs. Crore
Cash flows from operating activities					
Net (losses) of the year		(4,417,224)	(3,293,815)	(3.89)	(2.54)
Adjustments to reconcile net (losses) with					
Cash flows from operating activities					
Depreciation of fixed assets		636,507	641,769	0.56	0.49
Capital gains		(160,214)	(133,627)	(0.14)	(0.10)
Provision no longer required		–	(610,832)	–	(0.47)
		<u>(3,940,931)</u>	<u>(3,396,505)</u>	<u>(3.47)</u>	<u>(2.62)</u>
Change in working capital					
(Increase) Decrease in inventory		(1,278,014)	422,091	(1.12)	0.33
Decrease in receivable		2,759,933	1,843,881	2.43	1.42
Decrease (Increase) in debtors and other debit balances		562,112	(482,389)	0.49	(0.37)
(Decrease) Increase in due to related parties		(1,897,484)	4,111,460	(1.67)	3.17
Increase (Decrease) in payables and notes payables		3,538,958	(483,309)	3.11	(0.37)
Increase (Decrease) in creditors and other credit balances		177,693	(1,828,216)	0.16	1.41
Net cash flows (used in) provided from operating activities		<u>(77,733)</u>	<u>(187,013)</u>	<u>(0.07)</u>	<u>(0.14)</u>
Cash flows from investment activities					
(Payments) for purchase fixed assets		(435,341)	(467,086)	(0.38)	(0.36)
Received from sale fixed assets		252,917	217,724	0.22	0.17
(Payments) in projects in progress		(33,701)	(40,325)	(0.03)	(0.03)
Net cash flows (used in) investment activities		<u>(216,125)</u>	<u>(289,687)</u>	<u>(0.19)</u>	<u>(0.22)</u>
Net change in cash flows during the year		(293,858)	(102,674)	(0.26)	(0.08)
Cash and cash equivalents at the beginning of the year		1,506,873	1,609,547	1.33	1.24
Cash and cash equivalents at the end of the year (2/18,17)		<u><u>1,213,015</u></u>	<u><u>1,506,873</u></u>	<u><u>1.07</u></u>	<u><u>1.16</u></u>

The accompanying notes on pages from (1) to (21) form integral part of these financial statements and are to be read therewith.

Auditor's report attached

Chairman

Financial Manager

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.799/ EGP (Rs. 7.700/ EGP)

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2011

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 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 15/3/2007.

The company period is 25 years starting from 14th Dec1997 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 proactive 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 Investment & 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 :

- 4 Manufacturing cosmetics, perfumes and essential oils.
- 5 Importing equipment, machines, tools and raw materials required to execute the objectives of the company.
- 6 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 the international financial reporting standards to process cases weren't stated in the Egyptian standards.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2011

2-2- Basis preparation of the 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 currencies translation

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 impairment.

The cost includes all direct cost for acquisition the asset 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, are depreciated using straight line method and according to estimated useful life of each asset in accordance with the following rates:

		Estimated useful life / year
Buildings	8.33%	12
Machinery	25%	4
Lab equipments	25%	4
Computers and programs	50%	2
Furniture & office equipments	25%	4
Vehicles	25%	4

2-6- Inventory (net)

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for impairment.

2-7- Projects in 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2011

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 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 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 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.

2-10- 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

1. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2011

2. 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.

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 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

2-20- Deferred tax

Deferred tax is recognized using liability method on the temporary amount as an asset or liabilities for tax purposes and includes in the financial statements using the know tax rate .

2-21- Profit per share

Profit per share is calculated by the weighted average method according to the number of common shares during the year after deducting the employees share and the board of directors' allowance from the profits.

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- 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

EGYPTIAN AMERICAN FOR INVESTMENT AND
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2011

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 granted credit limits) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's 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 the loss is recognized in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables.

3-2- Payable and notes payables

Payable and notes payables are recognized 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)

Fixed assets (net) represents as of December 31, 2011 amounted to 2, 023, 410 as follows

Description	Land	Buildings	Furniture & Office equipments	Vehicles	Machine	Tools & equipment	Comp -uters	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost as at 1/1/2011	52,400	2,253,620	357,764	914,698	3,212,441	98,679	128,336	7,017,938
Additions during the year	-	50,210	260,156	147,500	89,980	64,028	36,805	648,679
Disposals	-	-	-	(247,143)	-	-	(8,535)	(255,678)
Cost at 31/12/2011	52,400	2,303,830	617,920	815,055	3,302,421	162,707	156,606	7,410,939
Acc. Depreciation on 1/1/2011	-	1,035,491	71,405	605,741	3,119,101	29,004	53,255	4,913,997
Depreciation of the year	-	189,352	146,863	137,212	70,105	36,529	56,445	636,506
Acc. Depreciation of disposals	-	-	-	(154,450)	-	-	(8,524)	(162,974)
Acc. Depreciation as at 31/12/2011	-	1,224,843	218,268	588,503	3,189,206	65,533	101,176	5,387,529
Fixed assets (Net) as at 31/12/2011	52,400	1,078,987	399,652	226,552	113,215	97,174	55,430	2,023,410
Fixed assets (Net) as at 31/12/2010	52,400	1,218,129	286,359	308,957	93,340	69,675	75,081	2,103,941

Description	Land	Buildings	Furniture & Office equipments	Vehicles	Machine	Tools & equipment	Comp -uters	Total
	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore
Cost as at 1/1/2011	0.04	1.74	0.28	0.70	2.47	0.08	0.10	5.40
Additions during the year	-	0.04	0.23	0.13	0.08	0.06	0.03	0.57
Disposals	-	-	-	(0.22)	-	-	(0.01)	(0.22)
Cost at 31/12/2011	0.05	2.03	0.54	0.72	2.91	0.14	0.14	6.52
Acc. Depreciation on 1/1/2011	-	0.80	0.05	0.47	2.40	0.02	0.04	3.78
Depreciation of the year	-	0.17	0.13	0.12	0.06	0.03	0.05	0.56
Acc. Depreciation of disposals	-	-	-	(0.14)	-	-	(0.01)	(0.14)
Acc. Depreciation as at 31/12/2011	-	1.08	0.19	0.52	2.81	0.06	0.09	4.74
Fixed assets (Net) as at 31/12/2011	0.05	0.95	0.35	0.20	0.10	0.09	0.05	1.78
Fixed assets (Net) as at 31/12/2010	0.04	0.94	0.22	0.24	0.07	0.05	0.06	1.62

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2011

The following assets are completely depreciated but it still used during year 2011

Asset	Furniture & office equipments		Machines		Computers		Vehicles		Total	
	EGP	Rs.Crore	EGP	Rs.Crore	EGP	Rs.Crore	EGP	Rs.Crore	EGP	Rs.Crore
Cost	6,270	0.01	2,668,637	2.35	28,804	0.03	365,478	0.32	3,069,189	2.7

- There is no mortgages or restrictions on ownership of assets.

- There are no fixed assets unused or not working temporarily.

Description	Charged to cost of sales		Charged to income Statement		Total	Charged to cost of sales		Charged to income Statement		Total
	EGP	Rs. Crore	EGP	Rs. Crore		Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	
Building	189,352		-		189,352	0.17		-		0.17
Machines	70,105		-		70,105	0.06		-		0.06
Tools & equipments	36,529		-		36,529	0.03		-		0.03
Furniture & office equipments	-		146,863		146,863	-		0.13		0.13
Vehicles	-		137,213		137,213	-		0.12		0.12
Computers	-		56,445		56,445	-		0.05		0.05
Total	295,986		340,521		636,507	0.26		0.30		0.56

5 Project in progress

Project in progress represents as of December 31, 2011 amounted to EGP 33,701 as follows:

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Building	-	203,382	-	0.16
Fitting & fixture	-	9,956	-	0.01
Tools & equipments	33,701	-	0.03	-
	33,701	213,338	0.03	0.16

6 Inventory

Inventory represents as of December 31, 2011 amounted to EGP 3,440, 584 as follows

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Raw materials	2,159,549	1,011,252	1.90	0.78
Semi finished production	62,147	6,543	0.05	0.01
Finished production	290,389	34,245	0.26	0.03
Packing & packaging materials	928,499	1,110,530	0.82	0.86
	3,440,584	2,162,570	3.03	1.68

7 Receivables

Receivables represents as of December 31, 2011 amounted to EGP 5,710, 261 as follows

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Local Receivables	5,710,261	7,973,039	5.02	6.14
Foreign Receivables	-	497,155	-	0.38
	5,710,261	8,470,194	5.02	6.52

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8 Debtors and other debit accounts

Debtors and other debit balances represents as of December 31, 2011 amounted to EGP 171, 412 as follows:

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Suppliers –advanced payments	135,887	604,741	0.12	0.47
Prepaid expenses	18,846	51,275	0.02	0.04
Deposits with others	8,639	34,065	0.01	0.03
Employees loans	1,597	–	0.01	–
advanced payments to purchase fixed assets	–	37,000	–	0.03
Other debit accounts	6,443	6,443	0.01	–
	171,412	733,524	0.16	0.57

9 Cash at bank and equivalents

Cash at banks and equivalent represents as of December 31, 2011 amounted to EGP 1, 872, 276 as follows:

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Banks – local currency	41,613	74,733	0.04	0.06
Banks – foreign currency	186,670	41,747	0.16	0.03
Cheques under collection	1,643,993	1,712,711	1.45	1.32
L/G Margin	–	9,000	0	0.01
	1,872,276	1,838,191	1.65	1.42

10 Due to related parties

Due to related parties represents as of December 31, 2011 amounted to EGP 15, 482, 328 as follows

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
MEL Consumer Care Company	3,647,465	6,020,141	3.21	4.64
Marico Middle East Company	11,778,467	11,329,500	10.36	8.72
Marico limited Company - India	56,396	30,171	0.05	0.02
	15,482,328	17,379,812	13.62	13.38

11 Payables and Notes Payables

Payables and notes payable represents as of December 31, 2011 amounted to EGP 6, 555, 361 as follows:

	31/12/2011 EGP	31/12/2010 Rs. Crore	31/12/2011 EGP	31/12/2010 Rs. Crore
Payables	3,202,514	623,370	2.82	0.48
Notes payable	3,352,847	2,393,033	2.95	1.84
	6,555,361	3,016,403	5.77	2.32

EGYPTIAN AMERICAN FOR INVESTMENT AND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

12 Creditors and other credit balance

Creditors and other credit balances represents as of December 31, 2011 amounted to EGP 1, 773, 778 as follows

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Accrued expenses	676,498	662,036	0.60	0.51
Sales tax	612,207	548,802	0.54	0.42
Clients advanced payments	286,673	-	0.25	-
Stamp duty	122,685	705	0.11	-
Withholding tax	20,990	19,389	0.02	0.01
Salaries & wages tax	15,860	28,773	0.01	0.02
Social insurance authority	13,296	18,985	0.01	0.01
Creditors for fixed assets purchases	-	41,449	-	0.03
Other credit balances	25,569	275,946	0.02	0.21
	1,773,778	1,596,085	1.56	1.21

13 Capital

A Authorized capital

The company's authorized capital amounted to EGP 25 million (twenty five million Egyptian pound) distributed over 250,000 share the nominal value of each share is EGP 100 (one hundred Egyptian pound).

B Issued and paid capital

The issued capital was determined by EGP 68,92,000 (six million and eight hundred ninety two thousand Egyptian pound) distributed over 68,920 share (sixty eight thousand and nine hundred twenty share) , the per value of each share is EGP 100 (one hundred Egyptian pound) and all of which are nominal cash 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 68,92,000 after excluding an amount of EGP 493 and being carried forward to the reserves.

The shareholder Mr/ Brajesh Bajpai sold all its shares which represented in 50 shares of per value of share EGP 100 to Mr/ Aditya Kumar Shome and this is in accordance the certificate which issued by the Egyptian stock exchange session on January 4, 2010.

The Issued and paid capital is distributed as follows

Name	Nationality	Value of each share EGP	No. of share	Amount EGP
Mr. Harsharij Charandas Mariwala	Indian	100	320	32,000
Mr. Milined Shripad Sarwate	Indian	100	320	32,000
Mr. Aditya Kumar	Indian	100	50	5,000
Marico Middle East	Emirates	100	68,230	6,823,000
			68,920	6,892,000

EGYPTIAN AMERICAN FOR INVESTMENT AND
INDUSTRIAL DEVELOPMENT COMPANY S.A.E

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

Name	Nationality	Value of each share Rs.Crore	No. of share	Amount Rs.Crore
Mr. Harsharij Charandas Mariwala	Indian	0.01	320	0.03
Mr. Milined Shripad Sarwate	Indian	0.01	320	0.03
Mr. Aditya Kumar	Indian	0.01	50	–
Marico Middle East	Emirates	0.01	68,230	6.00
			68,920	6.06

14 Deferred tax liabilities

This item is made up as follows

	Liabilities 31/12/2011 EGP	Liabilities 31/12/2010 EGP	Liabilities 31/12/2011 Rs.Crore	Liabilities 31/12/2010 Rs.Crore
Fixed assets	85,101	85,101	0.07	0.07
	85,101	85,101	0.07	0.07

15 Activity revenues

This item is made up as follows

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs.Crore	31/12/2010 Rs.Crore
Activity revenues	32,974,090	37,529,509	29.01	28.90
Less :				
Trade discount	(14,567,887)	(14,786,138)	(12.82)	(11.39)
Cash discount	–	(687,941)	–	(0.53)
	18,406,203	22,055,430	16.19	16.98

16 Losses per share

Losses per share are determined as follows

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs.Crore	31/12/2010 Rs.Crore
Net (losses) of the year	(4,417,224)	(3,306,326)	(3.89)	(2.55)
Number of share	68,920	68,920	0.06	0.05
Losses per share (EGP / share)	64.09	47.97	0.01	0.01

17 Cash & its equivalent (for the purpose of preparing statement of cash flows)

This item is made up as follows

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs.Crore
Cash at banks & its equivalent	1,872,276	1,838,191	1.65	1.42
Less:				
Banks (over darft)	659,261	331,318	0.58	0.26
	1,213,015	1,506,873	1.07	1.16

EGYPTIAN AMERICAN FOR INVESTMENT AND
INDUSTRIAL DEVELOPMENT COMPANY S.A.E

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

18 Related party translation

This item is made up as follows

Name of company	Type of relationship	Nature of dealing	Transaction volume per year
Marico Limited India	Related party	Royalty expense	90, 600

19 Tax status

A. Corporate tax

The company has tax exemption according to article No.(16) of law No. (8) for year 1997 and up to December 31,2011

The company was not examined from beginning of its activity till now.

B. Salaries & wages tax

The company was examined from beginning of its activity till year December 31,2008 .

The company currently examine the period from January 1, 2009 to December 31, 2010

C. Stamp duty tax

The company was examined from the start of activity till December 31, 2010 and all difference have been settled.

D. Sales tax

The company was examined from the start of activity till December 31, 2010 and all the difference have been settled.

E. Withholding tax

The company was examined from the start of activity till 31/12/2010.

20 Financial Instruments Risk Management

20-1- Fair value of financial instruments

The Company's financial instruments are represented in cash on hand & at bank, clients and creditors. The fair value of the financial instruments does not materially differ from its book value at year end.

20-2- Credit risk

Credit risk is represented in the disability of the clients to pay their duties, this risk is consolidated a limited risk due to the company's distribution of this risk among a number of private sector clients which has strong & stable financial position. The company is preparing a provision for bad debts to face the client's disability to pay their debts.

20-3- Exchange rate risk

Foreign currency translation consists of the change in foreign currencies which affect revenues and expenses in foreign currencies and also evaluation of assets & liabilities in foreign currencies. Here is the net value of foreign currencies balances in the date of the balance sheet:

foreign currencies	(Deficiency) Foreign currency	(Deficiency) Egyptian Pound	(Deficiency) Rs.Crore	(Deficiency) Rs.Crore
U.S. Dollar	(1,942,377)	(11,751,380)	(10.31)	(10.34)

As stated in note No. (2-4) of foreign currency translation, assets and liabilities were reevaluated at year end at the exchange rate declared as of that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20-4- Interest risk

Interest risk represents the change in currency rate which affect the results of business and this risk does not exist because the company does not depend on bank credit facilities to finance working capital and long term assets.

21 Comparison figures have been reclassified to confirm with current year classification.

Chairman

Financial Manager

MARICO EGYPT FOR INDUSTRIES (SAE)

Board of Directors

Debashish Neogi

Padmanabh Maydeo

Saumitra Bhat

MELCC, represented by Mohamed El-Araby

Registered Office

11B Hegaz Sq., Mohandesen, Giza, Egypt

Auditors

Moore Stephens

Bankers

HSBC Limited

NSGB Limited

Legal Advisors

Yasser Maharem Office for Accounting & Auditing,
Nassef Law firm

INDEPENDENT AUDITORS' 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, 2011 and the related statements 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 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 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 statement present fairly in all material respects, the financial position of Marico Egypt for industries SAE as of December 31, 2011 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, 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 the company's management and in accordance with the proper process.

The financial information included in the board of directors' report in compliance with companies law no. 159 year 1981 and its executive regulation and its agreement with the accounting record of the company to the extent that such information is recorded therein.

Cairo 26/01/2012

Sherin Noureldin

R.A.A. 6809

Moore Stephens Egypt

MARICO EGYPT FOR INDUSTRIES (SAE)

BALANCE SHEET

As at December 31, 2011

	Notes	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	No.	EG.P	EG.P	Rs. Crore	Rs. Crore
Long Term Assets					
Fixed assets (Net)	(2/5,4)	13,049,729	4,096,209	11.48	3.15
Intangible assets (Net)	(2/6,5)	7,821	15,643	0.01	0.01
Projects in progress	(2/7,6)	57,200	1,030,165	0.05	0.79
Total long term assets		13,114,750	5,142,017	11.54	3.95
Current assets					
Inventory (Net)	(2/8,7)	6,991,702	6,333,752	6.15	4.88
Receivables and notes receivables (Net)	(3/1,8)	16,682,043	20,010,324	14.68	15.41
Suppliers advanced payments	(3/1)	1,371,191	402,655	1.21	0.31
Debtors and other debit balances	(3/1,9)	484,318	4,504,999	0.43	3.47
Due from related parties	(2/14,10)	36,859,037	26,088,019	32.43	20.09
Cash and cash equivalent	(11)	14,788,785	13,815,455	13.01	10.64
Total current assets		77,177,076	71,155,204	67.91	54.80
Current liabilities					
Provisions	(2/12,12)	102,769	1,922,061	0.09	1.48
Banks overdraft	(13)	3,122,889	1,645,667	2.75	1.27
Due to related parties	(2/14,14)	359,141	246,311	0.32	0.19
Payables and notes payable	(3/2,15)	11,567,500	8,554,998	10.18	6.59
Creditors and other credit balances	(3/2,16)	10,060,504	8,375,396	8.85	6.45
Total current liabilities		25,212,803	20,744,433	22.19	15.98
Working Capital		51,964,273	50,410,771	45.72	38.82
Total investment		65,079,023	55,552,788	57.26	42.77
Shareholder's Equity					
Authorized capital	(17)	20,000,000	20,000,000	17.60	15.40
Issued & fully Paid capital	(17)	12,287,690	12,287,690	10.81	9.46
Legal reserve	(2/17,18)	2,163,255	1,447,026	1.90	1.11
Retained earnings		41,101,843	27,493,476	36.17	21.17
Net profit for the year		9,526,235	14,324,596	8.38	11.03
Total finance working capital and long – term assets		65,079,023	55,552,788	57.26	42.77
Contingent liabilities	(19)	4,148,948	4,148,919	3.65	3.19

-The accompanying notes from(1) to (25) form an integral part of these financial statements.

- 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. <8.799> / <EGP> (Rs. <7.700> / <EGP>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

MARICO EGYPT FOR INDUSTRIES (SAE)

INCOME STATEMENT

Year ended December 31, 2011

	Notes	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	No.	EGP	EGP	Rs. Crore	Rs. Crore
Sales (Net)	(2/11)	71,772,634	67,286,885	63.15	51.81
Less					
Cost of sales		36,726,644	31,642,400	32.32	24.36
Gross profit of activity		35,045,990	35,644,485	30.84	27.45
Less					
Selling & distribution expenses		15,602,390	17,330,484	13.73	13.34
General & administrative expenses		9,778,516	5,152,476	8.60	3.97
Depreciation and amortization	(4)	379,621	31,799	0.33	0.02
Provision for Claims	(2/12)	–	260,000	–	0.20
Royalty		401,188	–	0.35	–
Debit interest		55,263	–	0.05	–
		26,216,978	22,774,759	23.06	17.53
		8,829,012	12,869,726	7.78	9.92
Add					
Foreign exchange	(2/4)	370,420	23,920	0.33	0.02
Scrap sales		65,430	73,802	0.06	0.06
Capital gains (Loss)		1,373	152	–	–
Provisions no longer required		260,000	1,168,659	0.23	0.90
Royalty provisions no longer required		–	188,641	–	0.15
Net Profit for the year		9,526,235	14,324,596	8.38	11.03
Profit per share (EGP/Share)	0.1	8	12	–	–

-The accompanying notes from(1) to (25) form an integral part of these financial statements.

-Auditor's report attached

Chairman

Financial Manager

Note - The exchange rate used to convert EGP to Rs. <8.799> / <EGP> (Rs. <7.700> / <EGP>)

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MARICO EGYPT FOR INDUSTRIES (SAE)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2011

Description	Issued and fully paid capital	Legal Reserves	Retained earnings	Net Profits for the year	Total
	EGP	EGP	EGP	EGP	EGP
Balance as of 1/1/2010	12,287,690	494,333	9,392,318	19,053,851	41,228,192
Transferred to legal reserve	-	952,693	(952,693)	-	-
Closing retained earnings	-	-	19,053,851	(19,053,851)	-
Net profit of the year 2010	-	-	-	14,324,596	14,324,596
Balance as of 31/12/2010	12,287,690	1,447,026	27,493,476	14,324,596	55,552,788
Transferred to legal reserve	-	716,229	(716,229)	-	-
Closing retained earnings	-	-	14,324,596	(14,324,596)	-
Net profit of the year 2011	-	-	-	9,526,235	9,526,235
Balance as of 31/12/2011	12,287,690	2,163,255	41,101,843	9,526,235	65,079,023

Statement of changes in shareholder's equity For the year ended December 31, 2011

Description	Issued and fully paid capital	Legal Reserves	Retained Profits	Profits (losses) for the year	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Balance as of 1/1/2010	10.42	0.42	7.97	16.17	34.98
Transferred to legal reserve	-	0.73	0.73	-	-
Closing retained earnings	-	-	14.67	14.67	-
Net profit of the year 2010	-	-	-	11.03	11.03
Balance as of 31/12/2010	9.46	1.11	21.17	11.03	42.78
Transferred to legal reserve	-	0.63	0.63	-	-
Closing retained earnings	-	-	12.60	12.60	-
Net profit of the year 2011	-	-	-	8.38	8.38
Balance as of 31/12/2011	10.81	1.90	36.17	8.38	57.26

-The accompanying notes from(1) to (25) form an integral part of these financial statements.

-Auditor's report attached

Chairman

Financial Manager

Note - The exchange rate used to convert EGP to Rs. <8.799> / <EGP> (Rs. <7.700> / <EGP>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

MARICO EGYPT FOR INDUSTRIES (SAE)

CASH FLOW STATEMENT

Year ended December 31, 2011

	Notes No.	31/12/2011 EGP	31/21/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Cash flows from operating activities					
Net profit from income statement		9,526,235	14,324,596	8.38	11.03
Adjustments to reconcile net profit with none monetary items in income statement					
Depreciation and amortization		1,260,900	485,008	1.11	0.37
Capital (gains) losses		1,373	152	–	–
Created from inventory provision		750,000	–	0.66	–
Created from Provision for claims		–	260,000	–	0.20
Provisions no longer required		1,660,000	687,801	1.46	0.53
used of provision for claims		159,292	–	0.14	–
Net profit before change in working capital		9,716,470	14,381,955	8.55	11.07
(Increase) in inventory (Net)		1,407,950	1,204,296	1.24	0.93
Decrease (Increase) in receivables and notes receivables (Net)		3,328,281	5,860,004	2.93	4.51
(Increase) Decrease in suppliers advanced payments		968,536	831,575	0.85	0.64
Decrease (Increase) in debtors and other debit balances		4,020,681	3,760,760	3.54	2.90
(Increase) in due from related parties		10,771,018	6,335,545	9.48	4.88
Increase (Decrease) in due to related parties		112,830	806,756	0.10	0.62
Increase in payables & notes payable		3,012,502	2,651,759	2.65	2.04
Increase in creditors and other credit balances		1,685,108	3,184,178	1.48	2.45
Net cash provided from operating activities		8,728,368	3,082,106	7.68	2.37
Cash flows from investment activities					
Received from Sale of Fixed assets		3,600	842	–	–
(Payments) for Purchase of fixed assets		9,178,660	1,227,356	8.08	0.95
(Payments) for projects in progress		57,200	1,030,165	0.05	0.79
Net cash (used in) investment activities		9,232,260	2,256,679	8.12	1.74
Net Cash resulting during the year		503,892	825,427	0.44	0.64
Cash and cash equivalent at the beginning of the year		12,169,788	11,344,361	10.71	8.74
Cash and cash equivalent at the end of the year (2/19,21)		11,665,896	12,169,788	11.15	9.38

-The accompanying notes from (1) to (25) form an integral part of these financial statements.

-Auditor's report attached

Chairman

Financial Manager

Note - The exchange rate used to convert EGP to Rs. <8.799> / <EGP> (Rs. <7.700> / <EGP>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December, 2011

(1) The Company :

The Company was incorporated as "Simple partnership" according to the law No 8 year 1997 of investment guarantees and it's 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 2011 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- 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 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 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 rearranging the site where assets were present.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

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
- Machinery	12.5%	Declining method
- Equipments& Lab (S.O.E)	25%	Declining method
- Computers& programs	50%	Declining method
- Furniture and offices Equipments	25%	Declining method
- Vehicles	25%	Declining method

2-6- Intangible assets**Recognition**

Assets that have non-monetary nature which can be identified and have no physical presence and acquired for the activity that expected future benefits as tangible assets. Intangible assets represent in the use of computer programs.

Preliminary measurement

Intangible assets are measured at the cost which is represented in monetary price at the date of acquisition, and it is included net after deduction of accumulated amortization and impairment losses in the value of assets.

Amortization

The value of Amortization charged to income statement in accordance with the straight line method over the estimated useful lives of intangible assets, if its useful lives are not definite. The impairment in the value of intangible assets is calculated at the date of balance sheet and amortized from the date available for use according to the following rates:

Description	Estimated life Year
Computer programs	(2)

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- Inventory (net)

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for impairment.

2-9- 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 indication of such impairment; the resale value is compared to the book value. If the book value is above the resale value, then

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

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 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 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 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.

2-13-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 year1975 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.

2-14-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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

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-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.

2-17-Legal Reserve

According to Law No. 159 year 1981, its executive directives and the constitution of the Company, there should be 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.

2-18-Cash Flows Statement

The cash flow statement will be prepared according to the indirect method.

2-19-Cash and cash equivalent

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-Profit per share

Profit per share is calculated by the weighted average method according to the number of common shares during the year after deducting the employees share and the board of directors' allowance from the profits.

2-21-Income Tax

Income tax is calculated by using balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial (accounting basis) by using the tax rate. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax are charged as revenue or expenses to income statement with the exception of tax that results from the transaction in the same period or other period directly charged to equity.

2-22-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 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 granted credit limits) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

account, and the amount of the loss is recognized in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables.

3-2- Payable and notes payables

Payable and notes payables are recognized 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)

Fixed assets (Net) represent as of December 31,2011 amounted to EGP 13,049,729 as follows:-

Description	Land	Building	Machinery	Equipment & lab (S.O.E)	Computers	Vehicles	Furniture and offices Equipments	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost as of 1/1/2011	199,530	1,606,535	3,917,365	131,781	163,836	–	1,084,793	7,103,840
Additions during the year	–	1,660,103	7,562,510	242,150	72,941	559,500	111,621	10,208,825
Disposals	–	–	–	–	(30 168)	–	–	(30 168)
Cost as of 31/12/2011	199,530	3,266,638	11,479,875	373,931	206,609	559,500	1,196,414	17,282,497
Acc . Deperciation at 1/1/2011	–	321,307	2,382,309	53,426	79,957	–	170,633	3,007,632
Depreciation of the year	–	126,104	696,519	58,656	61,199	65,062	245,537	1,253,077
Disposals of depreciation	–	–	–	–	(27,941)	–	–	(27,941)
Acc . Deperciation at 31/12/2011	–	447 411	3 078 828	112 082	113 215	65 062	416 170	4 232 768
Fixed assets (Net) as of 31/12/2011	199 530	2 819 227	8 401 047	261 849	93 394	494 438	780 244	13 049 729
Fixed assets (Net) as of 31/12/2010	199 530	1 285 228	1 555 781	57 630	83 880	–	914 160	4 096 209

Description	Land	Building	Machinery	Equipment & lab (S.O.E)	Computers	Vehicles	Furniture and offices Equipments	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	
Cost as of 1/1/2011	0.15	1.24	3.02	0.1	0.13	–	0.84	5.47
Additions during the year	–	1.46	6.65	0.21	0.06	0.49	0.1	8.98
Disposals	–	–	–	–	0.03	–	–	0.03
Cost as of 31/12/2011	0.18	2.87	10.1	0.33	0.18	0.49	1.05	15.21
Acc . Deperciation at 1/1/2011	–	0.25	1.83	0.04	0.06	–	0.13	2.32
Depreciation of the year	–	0.11	0.61	0.05	0.05	0.06	0.22	1.1
Disposals of depreciation	–	–	–	–	0.02	0.03	–	0.02
Acc . Deperciation at 31/12/2011	–	0.39	2.71	0.1	0.1	0.06	0.37	3.72
Fixed assets (Net) as of 31/12/2011	0.18	2.48	7.39	0.23	0.08	0.44	0.69	11.48
Fixed assets (Net) as of 31/12/2010	0.15	0.99	1.2	0.04	0.06	–	0.7	3.15

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

- This year, intangible assets which represents in computer programs were separated from computers item also its accumulated depreciations till 31/12/2011.
- There is no mortgages or restrictions on ownership of assets.
- There are no fixed assets unused or not working temporarily.

The depreciation charged as follows:-

Description	Total	Charged to Cost of	Charged to Income
	EGP	Sales EGP	Statement EGP
Building	126,104	126,104	–
Machinery	696,519	696,519	–
Equipments & lab (S.O.E)	58,656	58,656	–
Computers & Programs	61,199	–	61,199
Vehicles	65,063	–	65,063
Furniture and offices Equipments	245,537	–	245,537
	1,253,078	881,279	371,799
Amortization of intangible assets	7,822		7,822
Total	1,260,900	881,279	379,621

Description	Total	Charged to Cost of	Charged to Income
	Rs. Crore	Sales Rs. Crore	Statement Rs. Crore
Building	0.11	0.11	–
Machinery	0.61	0.61	–
Equipments & lab (S.O.E)	0.05	0.05	–
Computers & Programs	0.05	–	0.05
Vehicles	0.06	–	0.06
Furniture and offices Equipments	0.22	–	0.22
	–	–	–
Amortization of intangible assets	0.01	–	0.01
Total	1.11	0.78	0.33

(5) Intangible assets (Net)

The intangible assets represents as of December 31, 2011 amounted to EGP 7821 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Cost	79,043	79,043	0.07	0.06
Less:				
Accumulated amortization	71,222	63,400	0.06	0.05
	7,821	15,643	0.01	0.01

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

(6) Projects in progress

Projects in progress represents as of December 31, 2011 amounted to EGP 57200 as follows:

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Building	–	1,023,665	–	0.7
Machinery	–	6,500	–	0.01
Equipments & lab (S.O.E)	57,200	–	0.05	–

* This balance represents in pumps of sea desalination for the Factory at Al Salhiya (New City) and has not been completed yet.

(7) Inventory

The inventory represents as of December 31, 2011 amounted to EGP 6,991,702 as follows:

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Raw materials	3,500,241	3,275,519	3.08	2.52
Production under operating	46,190	62,433	0.04	0.05
Packing & Packaging materials	3,561,407	2,061,759	3.13	1.59
Finished production	449,783	934,041	0.40	0.72
	7,557,621	6,333,752	6.65	4.88
Letter of credit (7/1)	184,081	–	0.16	–
	7,741,702	6,333,752	6.81	4.88
Provision for damaged inventory	750,000	–	0.66	–
	6,991,702	6,333,752	6.15	4.88

(7/1) This year was formed provision to face expiry date of inventory items.

(8) Receivables and Notes receivable (Net)

Receivables and notes receivable represents as of December 31, 2011 amounted to EGP 16,682,043 as follows:

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Local Receivables	15,502,947	19,234,628	13.64	14.81
Less:				
Bad debit provision	9,703	9,703	0.01	0.01
	15,493,244	19,224,925	13.63	14.80
Export Receivables	181,860	785,399	0.16	0.60
	15,675,104	20,010,324	13.79	15.40
Notes Receivable	(8/1)	1,006,939	–	0.89
	16,682,043	20,010,324	14.68	15.40

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

(8/1) Notes receivable deposited in bank for collection, but has been shown under this item to confirm with (IAS) No. (4) Paragraph (6, 5) because its not considered from cash equivalents.

(9) Debtors and other debit balances

Debtors and other debit balances represents as of December 31, 2011 amounted to EGP 484,318 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Prepaid expenses	220,935	168,549	0.19	0.13
Employees loans	132,670	–	0.12	–
Deposits with others	129,029	116,490	0.11	0.09
Debtors purchase of fixed assets	–	1,905,903	–	1.47
L/C Cover	–	1,674,084	–	1.29
Sales tax authority	–	618,220	–	0.48
Employee's custody	–	16,807	–	0.01
Worker's emergency box	–	3,000	–	–
Other debit balances	1,684	1,946	–	–
	484,318	4,504,999	0.42	3.47

(10) Related Parties

Related parties represents as of December 31, 2011 amounted to EGP 36,859,037 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
MEL company for consumer care	36,854,146	26,048,708	32.43	20.06
Marico Middle East	4,891	39,311	–	0.03
	36,859,037	26,088,019	32.43	20.09

(11) Cash and cash at Banks

Cash and cash equivalent represents as of December 31, 2011 amounted to EGP 14,788,785 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Cash on hand	–	143	–	–
Banks current accounts – local currency	195,580	526,791	0.17	0.41
Banks current accounts – foreign currency	181,995	17,649	0.16	0.01
Deposits	1,762,424	–	1.55	–
Cheques under collection	12,648,786	13,270,872	11.13	10.22
	14,788,785	13,815,455	13.01	10.64

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

(12) Provisions

Provision represents as of December 31, 2011 amounted to EGP 102,769 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Balance as of 1/1/2011	1,922,061	2,349,862	1.69	1.81
Less:				
Provision no longer required	1,660,000	687,801	1.46	0.53
Used of provision during the year	159,292	–	0.14	–
	102,769	1,662,061	0.09	1.28
Add: Formed during year	–	260,000	–	0.20
Balance as of 31/12/2011	102,769	1,922,061	0.09	1.48
This item is made up as follows:-				
Claims provision	–	1,819,292	–	1.40
Tax provision	102,769	102,769	0.09	0.08
	102,769	1,922,061	0.09	1.48

(13) Banks overdraft

Bank overdraft represents as of December 31, 2011 amounted to EGP 3122889 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
NSGB bank	3,122,889	1,645,667	2.75	1.27
	3,122,889	1,645,667	2.75	1.27

(14) Related Parties

Related parties represents as of December 31, 2011 amounted to EGP 359,141 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Marico India company	359,141	246,311	0.32	0.19
	359,141	246,311	0.32	0.19

(15) Payables and notes payable

Payables and notes payable represents as of December 31, 2011 amounted to EGP 11 567 500 as follows:

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Payables	6,125,391	5,623,170	5.39	4.33
Notes payable	5,442,109	2,931,828	4.79	2.26
	11,567,500	8,554,998	10.18	6.59

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

(16) Creditors and other credit balances

Creditors and other credit balances represents as of December 31, 2011 amounted to EGP 10 060 504 as follows:

	31/12/2011 EGP	31/12/2010 EGP	31/12/2011 Rs. Crore	31/12/2010 Rs. Crore
Creditors of Advertising campaigns	5,092,000	–	4.48	–
Accrued expenses	1,427,366	3,468,535	1.26	2.67
Sales tax authority	2,501,958	3,282,858	2.2	2.53
Salaries & bonuses of foreign	508,042	768,960	0.45	0.59
Stamp duty tax	375,434	386,907	0.33	0.3
Withholding tax	52,520	278,974	0.05	0.21
Salaries & wages tax	80,505	172,522	0.07	0.13
Social insurance	22,679	13,662	0.02	0.01
Other credit balances	–	2,978	–	–
	10,060,504	8,375,396	8.86	6.44

(17) Capital

The company's authorized capital is EG.P 20 000 000 (Twenty million Egyptian pounds) and the issued capital is EG.P 12287690 (Twelve million two hundred eighty seven thousand and six hundred ninety Egyptian pounds) distributed into 1228769 shares, the per value of each share is EGP 10 distributed among the shareholders as follows:-

Name	Nationality	Amount of Share	Share EGP	Rs. Crore	Rs. Crore
MEL CO. for Consumer Care Products SAE (according to law No159/1981) represented by Mr/ Ravinmody	SAE	1,216,481	12,164,810	1.07	10.70
Mr. Aditya Kumar	Indian	6,144	61,440	0.01	0.05
Mr. Ravin Mody	Indian	6,144	61,440	0.01	0.05
Total		1,228,769	12,287,690	1.08	0.81

(18) Legal reserves :-

We calculate 5% from retained profits which amounted EGP 14,324,596 and this according to article No (41) from law No 159 year 1981 and it's amendments and also according to article No (55) from Company articles and it's amounted EGP 716,229.

(19) 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 - Raw material	4,333,029	184,081	4,148,948	3.81	0.16	3.65
	4,333,029	184,081	4,148,948	3.81	0.16	3.65

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

(20) Profit per share

Profit per share is determined as follows:-

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	EGP	EGP	Rs. Crore	Rs. Crore
Net profit for the year	9,526,235	14,324,596	8.38	11.03
Amount of Share	1,228,769	1,228,769	1.08	0.95
Profit Per Share	7.75	11.66	-	-

(21) Cash and Cash equivalent (for the purpose of preparing Statement of cash flows)

	Notes No.	31/12/2011	31/12/2010	31/12/2011	31/12/2010
		EGP	EGP	Rs. Crore	Rs. Crore
Cash and Cash Equivalent	(11)	14,788,785	13,815,455	13.01	10.64
Less:					
Bank Overdraft	(13)	3,122,889	1,645,667	2.75	1.27
		11,665,896	12,169,788	10.26	9.37

(22) Transactions with related parties

This item is made up as follows:-

Name of Related Party	Description of Relationship	Nature of Transaction	Amount
Marico Middle East	Affiliated companies	Financing	627,730
Marico Limited India	Affiliated companies	Sales	207,752
Marico Limited India	Affiliated companies	Royalty	401,188

(23) Taxation:**First: Corporate tax**

- The company is exempted from 1/1/2007 till 31/12/2016 according to the company tax card.
- The company is not scrutinized the company books from the activity opening till now.

Second: Sales tax

The company's books were examined till December 31, 2010, there was tax difference was fully paid.

Third: Salary and wages tax

The company's books were examined till December 31, 2010 and tax was fully paid.

Fourth: Stamp tax

The company is not scrutinized the company books from the activity opening till now.

Fifth: Withholding tax

The company is examined even the period ending 31/12/2009 and these values are all paid.

(24) Financial Instruments Risk Management**24-1- Fair value financial instruments:**

The company's financial instruments are represented in cash on hand & at bank, clients and creditors. The fair value of the financial instruments does not materially differ from its book value at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2011

24-2- Credit risk

Credit risk is represented in the disability of the clients to pay their duties, this risk is consolidated a limited risk due to the company's distribution of this risk among a number of private sector clients which has strong & stable financial position.

24-3- Exchange rate risk

Exchange rate risk consists of the change in foreign currencies which affect revenues and expenses in foreign currencies and also evaluation of assets & liabilities in foreign currencies.

Foreign currency	Surplus (Deficiency) Foreign Currency	Surplus (Deficiency) Egyptian Pound
U.S Dollar	225,377	1,356,770
Euro	(10,553)	(83,791)

As stated in notes no. (2-4) foreign currency translation, assets and liabilities were reevaluated at year end at the exchange rate declared as of the date of balance sheet.

24-4- Interest risk

Interest risk represents the change in currency rate which affect the results of business and this risk does not exist because the company does not depend on bank credit facilities to finance working capital and long term assets.

(25) Comparison figures have been reclassified to confirm with current year classification.

Chairman

Financial Manager

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

Board of Directors

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

Padmanabh Maydeo

John Richard Mason

Registered Office

1474 South Coast Road, Modeni 4052

Factory

1474 South Coast Road, Modeni 4052

Auditors

Price Waterhouse Cooper

Bankers

Standard Bank of South Africa Limited

Legal Advisors

Adams & Adams - Patent and Trademark Attorneys

Denez Reltz - Commercial Attorney

Shepstone & Wylie - Litigation Attorneys

KPMG - Seceretary Services

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 31 March 2012

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Marico South Africa Consumer Care Proprietary Limited. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all statements of IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group at year end.

The directors have the responsibility of ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the group to enable the directors to ensure that the financial statements comply with the relevant legislation.

Marico South Africa Consumer Care Proprietary Limited operated in an established control environment, which is documented and reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future. The company's external auditors, PricewaterhouseCoopers Inc, audited the financial statements and their report is presented hereinafter.

The financial statements were approved by the board of directors and are signed on their behalf.

John Richard Mason

Director

8 June 2012

Vijay Subramaniam

Director

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

REPORT OF THE DIRECTORS'

for the year ended 31 March 2012

The directors present their annual report, which forms part of the audited financial statements of the company and of the group for the year ended 31 March 2012.

1 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.

Marico South Africa Consumer Care Proprietary Limited and its subsidiary 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.

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.

2 Dividends

No dividends have been declared during the period and none are recommended (2011: R Nil).

3 Share capital

The authorised and issued share capital has remained unchanged.

4 Directors and secretary

The present directors of the company are:

John Richard Mason (Indian)

Harsh Mariwala (Indian)

Milind Sarwate (Indian)

Vijay Subramaniam (Indian)

Padmanabh Maydeo (Indian)

No secretary has been appointed.

5 Holding company

Marico Limited holds 100% of the company's issued share capital. Marico Limited is incorporated in India.

6 Subsidiary

The company holds 100% of the issued share capital of Marico South Africa Proprietary Limited.

7 Material events after year-end

No matter which is material to the financial affairs of the company and group has occurred between the statement of financial position date and the date of approval of the financial statements.

8 Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with the Companies Act of South Africa.

9 Going concern

The company generated a loss for the period of R419 982 (2011: R272 462). At 31 March 2012 the company's total assets exceeded its total liabilities by R40 123 141 (2011: R40 543 122).

The group generated a profit/(loss) for the period of R794 826 (2011: loss of R1 961 154). At 31 March 2012 the group's total assets exceeded its total liabilities by R36 770 928 (2011: R35 976 102).

The company has no external borrowings 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.

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the annual financial statements of Marico South Africa Consumer Care Proprietary Limited and its subsidiary which comprise the statement of financial position and the consolidated statement of financial position as at 31 March 2012, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 4 to 32.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard and the requirements of the Companies Act of South Africa, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 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 consolidated and separate financial position of Marico South Africa Consumer Care Proprietary Limited as at 31 March 2012, and its consolidated and separate financial performance and its consolidated and separate statement of cash flow for the year then ended in accordance with International Financial Reporting Standard, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

Director: N Ramlagan

Registered Auditor

Durban

8 June 2012

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Notes	Group		Company		Group		Company	
		2012 R	2011 R	2012 R	2011 R	2012 Rs.in Crore	2011 Rs. in Crore	2012 Rs. in Crore	2011 Rs. in Crore
ASSETS									
Non-current assets									
Property, plant and equipment	6	3,746,295	4,146,333	-	-	2.49	2.73	-	-
Intangible assets	7	48,062,924	49,330,489	-	-	31.88	32.47	-	-
Investment in subsidiary	8	-	-	45,485,555	45,485,555	-	-	30.18	29.94
Deferred income tax assets	13	7,077,135	7,692,781	-	-	4.69	5.06	-	-
Goodwill	14	37,686,823	37,686,823	-	-	25.00	24.81	-	-
Amount due from related party	17	-	-	55,688,008	55,746,678	-	-	36.94	36.69
		<u>96,573,177</u>	<u>98,856,426</u>	<u>101,173,563</u>	<u>101,232,233</u>	<u>64.07</u>	<u>65.07</u>	<u>67.12</u>	<u>66.63</u>
Current assets									
Trade and other receivables	10	23,109,432	24,739,259	-	-	15.33	16.28	-	-
Inventories	9	17,591,204	18,103,578	-	-	11.67	11.92	-	-
Cash and cash equivalents	11	4,961,765	3,959,328	195,577	287,715	3.29	2.61	0.13	0.19
Amounts due from related party	17	-	(22,492,444)	20,355,507	-	-	14.92	13.40	-
		<u>45,662,401</u>	<u>46,802,165</u>	<u>22,688,021</u>	<u>20,643,222</u>	<u>30.29</u>	<u>30.81</u>	<u>15.05</u>	<u>13.59</u>
Total assets		<u>142,235,578</u>	<u>145,658,591</u>	<u>123,861,584</u>	<u>121,875,455</u>	<u>94.36</u>	<u>95.87</u>	<u>82.17</u>	<u>80.22</u>
EQUITY									
Capital and reserves attributable to equity holders of the company									
Share capital	12	800	800	800	800	-	-	-	-
Share premium		43,799,900	43,799,900	43,799,900	43,799,900	29.06	28.83	29.06	28.83
Accumulated loss		(7,029,772)	(7,824,598)	(3,677,559)	(3,257,578)	(4.66)	(5.15)	(2.44)	(2.14)
Total equity		<u>36,770,928</u>	<u>35,976,102</u>	<u>40,123,141</u>	<u>40,543,122</u>	<u>24.39</u>	<u>23.68</u>	<u>26.62</u>	<u>26.69</u>
LIABILITIES									
Non-current liabilities									
Borrowings	16	61,225,999	60,956,826	61,225,999	60,956,826	40.62	40.12	40.62	40.12
Current liabilities									
Trade and other payables	15	21,746,207	28,370,156	20,000	20,000	14.43	18.67	0.01	0.01
Borrowings	16	22,492,444	20,355,507	22,492,444	20,355,507	14.92	13.40	14.92	13.40
		<u>44,238,651</u>	<u>48,725,663</u>	<u>22,512,444</u>	<u>20,375,507</u>	<u>29.35</u>	<u>32.07</u>	<u>14.93</u>	<u>13.41</u>
Total liabilities		<u>105,464,650</u>	<u>109,682,489</u>	<u>83,738,443</u>	<u>81,332,333</u>	<u>69.97</u>	<u>72.19</u>	<u>55.55</u>	<u>53.53</u>
Total equity and liabilities		<u>142,235,578</u>	<u>145,658,591</u>	<u>123,861,584</u>	<u>121,875,455</u>	<u>94.36</u>	<u>95.87</u>	<u>82.17</u>	<u>80.22</u>

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

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MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

	Notes	Group		Company		Group		Company	
		2012 R	2011 R	2012 R	2011 R	2012 Rs.in Crore	2011 Rs. in Crore	2012 Rs. in Crore	2011 Rs. in Crore
Revenue		157,263,448	137,813,935	-	-	104.33	90.71	-	-
Cost of sales		(88,938,105)	(70,652,366)	-	-	(59.00)	(46.50)	-	-
Gross profit		68,325,343	67,161,569	-	-	45.33	44.21	-	-
Operating expenses		(60,883,528)	(63,401,194)	(3,945)	(4,959)	(40.39)	(41.73)	-	-
Other income		146,321.00	308,454	-	-	0.10	0.20	-	-
Operating profit/(loss)		7,588,136	4,068,829	3,945	4,959	5.03	2.68	-	-
Finance income	4	83,900	182,085	5,845,527	5,659,548	0.06	0.12	3.88	3.73
Finance costs	4	(6,261,564)	(5,927,051)	(6,261,564)	(5,927,051)	(4.15)	(3.90)	(4.15)	(3.90)
Profit/(loss) before income tax		1,410,472	(1,676,137)	(419,982)	(272,462)	0.94	(1.10)	(0.28)	(0.18)
Income tax expense	5	(615,646)	(285,017)	-	-	(0.41)	(0.19)	-	-
Total comprehensive profit/(loss) for the year		794,826	(1,961,154)	(419,982)	(272,462)	0.53	(1.29)	(0.28)	(0.18)

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

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MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2012

	Share capital R	Share premium R	Accumulated loss R	Total capital R	Share Rs.in Crore	Share Rs.in Crore	Accumulated loss Rs.in Crore	Total Rs.in Crore
Group								
Year ended 31 March 2012								
Balance at 1 April 2011	800	43,799,900	(7,824,598)	35,976,102	-	29.06	(5.19)	23.87
Total comprehensive profit for the year	-	-	794,826	794,826	-	-	0.53	0.53
Balance at 31 March 2012	800	43,799,900	(7,029,772)	36,770,928	-	29.06	(4.66)	24.39
Year ended 31 March 2011								
Balance at 1 April 2010	800	43,799,900	(5,863,444)	37,937,256	-	29.06	(3.89)	25.17
Total comprehensive loss for the year	-	-	(1,961,154)	1,961,154	-	-	(1.30)	1.30
Balance at 31 March 2011	800	43,799,900	(7,824,598)	35,976,102	-	29.06	(5.19)	23.87
Company								
Year ended 31 March 2012								
Balance at 1 April 2011	800	43,799,900	(3,257,578)	40,543,122	-	29.06	(2.16)	26.90
Total comprehensive loss for the year	-	-	(419,982)	(419,982)	-	-	(0.28)	(0.28)
Balance at 31 March 2012	800	43,799,900	(3,677,559)	40,123,141	-	29.06	(2.44)	26.62
Year ended 31 March 2011								
Balance at 1 April 2010	800	43,799,900	(2,985,116)	40,815,584	-	29.06	(1.98)	27.08
Total comprehensive loss for the year	-	-	(272,461)	(272,461)	-	-	(0.18)	(0.18)
Balance at 31 March 2011	800	43,799,900	(3,257,578)	40,543,122	-	29.06	(2.16)	26.90

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

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MARICO SOUTH AFRICA CONSUMER CARE
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STATEMENT OF CASH FLOWS

for the year ended 31 March 2012

	Notes	Group		Company		Group		Company	
		2012 R	2011 R	2012 R	2011 R	2012 Rs.in Crore	2011 Rs. in Crore	2012 Rs. in Crore	2011 Rs. in Crore
Cash flow from operating activities									
Cash flow from operations	19	4,509,077	1,889,917	(3,945)	(4,959)	2.99	1.24	-	-
Finance costs	4	(6,261,564)	(5,927,051)	(6,261,564)	(5,927,051)	(4.15)	(3.90)	(4.15)	(3.90)
Finance income	4	83,900	182,085	5,845,527	5,659,548	0.06	0.12	3.88	3.73
Net cash used in operating activities		(1,668,587)	(3,855,049)	(419,982)	(272,462)	(1.11)	(2.54)	(0.28)	(0.18)
Cash flow from investing activities									
Increase in loans to related party		-	-	(2,078,266)	(20,249,764)	-	-	(1.38)	(13.33)
Additions to property, plant and equipment		(737,585)	(189,620)	-	-	(0.49)	(0.12)	-	-
Purchase of intangible assets		-	(16,000,000)	-	-	-	(10.53)	-	-
Proceeds on disposal of property, plant and equipment		1,002,499	270,000	-	-	0.67	0.18	-	-
Net cash from/(used in) investing activities		264,914	(15,919,620)	(2,078,266)	(20,249,764)	0.18	(10.48)	(1.38)	(13.33)
Cash flow from financing activities									
Increase in borrowings		2,406,110	20,129,080	2,406,110	20,129,080	1.60	13.25	1.60	13.25
Net cash generated from financing activities		2,406,110	20,129,080	2,406,110	20,129,080	1.60	13.25	1.60	13.25
Net increase/(decrease) in cash and cash equivalents		1,002,437	354,411	(92,138)	(393,146)	0.67	0.23	(0.06)	(0.26)
Cash and cash equivalents at beginning of year	11	3,959,328	3,604,917	287,715	680,861	2.63	2.37	0.19	0.45
Cash and cash equivalents at end of year	11	4,961,765	3,959,328	195,577	287,715	3.29	2.61	0.13	0.19

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

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MARICO SOUTH AFRICA CONSUMER CARE
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. During the current period, areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, have been disclosed in note 1.22.

1.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the stand-alone financial statements of the company.

1.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line basis so as to write off the cost of the assets to their residual values over their expected useful lives. The expected useful lives are as follows:

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Leasehold 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

1.4 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is assessed annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Brands

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.

Intangibles 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 estimate useful lives of intangible assets from the date that they are available for use.

Intangibles assets with indefinite useful lives are measured at cost and are not amortized, 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.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.5 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.6 Leased assets

Leases of assets under which all the risks and benefits of ownership are effectively retained by The lesser are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lesser by ways of penalty is recognized as an expense in the period in which termination takes place.

1.7 Inventory

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.8 Financial assets

1.8.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 1.9 and 1.10).

1.8.2 Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the company's right to receive payments is established.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.9 Trade receivables

Trade receivables are measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income .

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Trade payables

Trade payables are carried initially at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier, and subsequently measured at amortised cost using the effective interest rate method.

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position.

MARICO SOUTH AFRICA CONSUMER CARE
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.14 Financial risk management

(1) *Financial risk factors*

The group's activities expose it to a variety of financial risks, including the effects of changes in interest rates and foreign currency exchange rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group does not use derivative financial instruments, such as interest rate swaps and forward exchange contracts, to hedge certain exposures.

(a) Foreign exchange risk

The group is occasionally exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar. The company and group does not use forward contracts to hedge their exposure to foreign currency risk in connection with the measurement currency.

(b) Interest rate risk

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 statement of financial position date and the stipulated change taking place at the beginning of the financial period 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 has been 50 basis points higher/lower and all other variables held constant, the group's/company's profit before tax would decrease by:

Notes	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in	Rs. in	Rs. in	Rs. in
					Crece	Crece	Crece	Crece
Effect on profit before tax	-	-	384,196	338,750	-	-	0.25	0.22

(c) Credit risk

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.

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for the year ended 31 March 2012

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 statement of financial position, grossed up for any allowances for losses.

(d) Liquidity risk

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.

	Average interest rate	Within 1 period R	Greater than 2 periods R	Total R	Within 1 period Rs.in Crore	Greater than 2 periods Rs.in Crore	Total Rs.in Crore
Group 2012							
Trade and other payables		19,239,256	–	19,239,256	12.76	–	12.76
Interest bearing shareholders loan from Marico Limited							
– Non-current portion	7,61%	–	61,225,999	61,225,999	–	40.62	40.62
– Current portion	9%	22,492,444	–	22,492,444	14.92	–	14.92
		<u>41,731,700</u>	<u>61,225,999</u>	<u>102,957,699</u>	<u>27.68</u>	<u>40.62</u>	<u>68.30</u>
Group 2011							
Trade and other payables		26,781,642	–	26,781,642	17.77	–	17.77
Interest bearing shareholders loan from Marico Limited							
Non-current portion	7,61%	–	60,956,826	60,956,826	–	40.44	40.44
Current portion	10.50%	47,137,149	60,956,826	108,093,975	31.27	40.44	71.71
		<u>47,137,149</u>	<u>60,956,826</u>	<u>108,093,975</u>	<u>31.27</u>	<u>40.44</u>	<u>71.71</u>
Company 2012							
Trade and other payables		20,000	–	20,000	0.01	–	0.01
Interest bearing shareholders loan from Marico Limited							
– Non-current portion	7,61%	–	61,225,999	61,225,999	–	40.62	40.62
– Current portion	9%	22,492,444	–	22,492,444	14.92	–	14.92
		<u>22,512,444</u>	<u>61,225,999</u>	<u>83,738,443</u>	<u>14.93</u>	<u>40.62</u>	<u>55.55</u>
Company 2011							
Trade and other payables		20,000	–	20,000	0.01	–	0.01
Interest bearing shareholders loan from Marico Limited							
Non-current portion	7,61%	–	60,956,826	60,956,826	–	40.44	40.44
Current portion	10.50%	20,355,507	–	20,355,507	13.50	–	13.50
		<u>20,375,507</u>	<u>60,956,826</u>	<u>81,332,333</u>	<u>13.52</u>	<u>40.44</u>	<u>53.96</u>

MARICO SOUTH AFRICA CONSUMER CARE
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for the year ended 31 March 2012

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

1.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The difference between the proceeds received and the par value of ordinary shares issued are shown within equity as share premium.

1.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. It is the company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

1.17 Research and development costs

Research and development costs are recognised as an expense to the extent that such expenditure are not expected to have future benefits.

1.18 Employee benefits

The group operates two retirement benefit schemes. These are both defined contribution funds. A defined contribution fund is a retirement benefit plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group pays contributions on a contractual basis and contributions are recognised as an expense when they are due.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

MARICO SOUTH AFRICA CONSUMER CARE
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

1.21 Changes in accounting policy and disclosures

Standards and amendments to existing standards effective in 2012

There are no IFRS's or IFRIC interpretations that are effective, that would be expected to have a material impact on the group.

Standards and amendments issued but not effective for March 2012 year-end

- Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI.
- IFRS 9 - Financial Instruments (2009).
- IFRS 9 - Financial Instruments (2010).
- Amendment to IFRS 9 - Financial Instruments (2011).
- Amendment to IAS 32 - Financial Instruments: Presentation.

Standards and amendments issued but not effective and not relevant for 31 March 2012

- Amendment to IAS 12, 'Income taxes' on deferred tax.
- IFRS 12 - Disclosures of interest in other entities.

1.22 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.22.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Estimated impairment of intangible assets

The group tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1.4. The recoverable amounts of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates (refer note 7).

If the revised estimated discounting rate applied was 1 % lower/higher than management's estimates, the group will not have to recognise an impairment against intangible assets.

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for the year ended 31 March 2012

2 Operating profit/(loss)

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs. in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
2.1 The following items have been charged/ (credited) in arriving at operating profit/(loss):								
Depreciation on property, plant and equipment	1,114,763	1,236,521	-	-	0.74	0.81	-	-
(A detailed breakdown of the depreciation expense is presented in note 6)								
Profit on disposal of property, plant and equipment	(79,640)	(113,740)	-	-	(0.05)	(0.07)	-	-
Loss on disposal of intangible asset	367,565	-	-	-	0.24	-	-	-
Auditor's remuneration:								
Audit fees								
- current year provision	360,000	487,004	20,000	20,000	0.24	0.32	0.01	0.01
- prior year under/(over) provision	293,541	25,160	20,000	20,000	0.19	0.02	0.01	0.01
	653,541	512,164	-	-	0.43	0.34	-	-
Lease rentals								
- Buildings	3,411,440	3,418,472	-	-	2.26	2.25	-	-
- Computers	355,943	214,414	-	-	0.24	0.14	-	-
	3,767,383	3,632,886	-	-	2.50	2.39	-	-
Directors' emoluments								
Salaries	1,462,689	3,275,169	-	-	0.97	2.16	-	-
Other	1,126,635	1,755,616	-	-	0.75	1.16	-	-
	2,589,324	5,030,785	-	-	1.72	3.31	-	-
Staff costs (see note 3)	18,799,707	14,120,360	-	-	12.47	9.29	-	-
2.2 Expenses by nature								
Depreciation	1,114,763	1,236,521	-	-	0.74	0.81	-	-
Directors' emoluments	2,589,324	5,030,785	-	-	1.72	3.31	-	-
Operating lease rentals	3,767,383	3,632,886	-	-	2.50	2.39	-	-
Staff costs	18,799,707	14,120,360	-	-	12.47	9.29	-	-
Cost of sales	88,938,105	71,258,719	-	-	59.00	46.90	-	-
Commission	4,855,264	4,075,254	-	-	3.22	2.68	-	-
Advertising	11,474,149	14,495,953	-	-	7.61	9.54	-	-
Freight	9,066,861	7,625,948	-	-	6.01	5.02	-	-
Other	9,216,077	12,577,134	3,945	4,959	6.11	8.28	-	-
Total cost of sales and operating expenses	149,821,633	134,053,560	3,945	4,959	99.39	88.23	-	-

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for the year ended 31 March 2012

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
3 Staff costs								
Salaries and wages	15,433,476	12,554,852	-	-	10.24	8.26	-	-
Other	3,366,231	1,565,508	-	-	2.23	1.03	-	-
	<u>18,799,707</u>	<u>14,120,360</u>	<u>-</u>	<u>-</u>	<u>12.47</u>	<u>9.29</u>	<u>-</u>	<u>-</u>
Average number of persons employed:								
Full time	117	116	-	-	-	-	-	-
4 Finance (costs)/income								
4.1 Finance cost								
Related party (refer note 20)	(6,261,564)	(5,927,051)	(6,261,564)	(5,927,051)	(4.15)	(3.90)	(4.15)	(3.90)
4.2 Finance income								
Bank	83,900	182,085	19,812	24,683	0.06	0.12	0.01	0.02
Related party (refer note 20)	-	-	5,825,715	5,634,865	-	-	3.86	3.71
	<u>83,900</u>	<u>182,085</u>	<u>5,845,527</u>	<u>5,659,548</u>	<u>0.06</u>	<u>0.12</u>	<u>3.88</u>	<u>3.73</u>
Net finance costs	<u>(6,177,664)</u>	<u>5,744,966</u>	<u>(416,037)</u>	<u>(267,503)</u>	<u>(4.10)</u>	<u>3.78</u>	<u>(0.28)</u>	<u>(0.18)</u>
5 Income tax expense								
Deferred tax								
current year	296,509	434,749	-	-	0.20	0.29	-	-
prior year underprovision	319,137	719,766	-	-	0.21	0.47	-	-
	<u>615,646</u>	<u>285,017</u>	<u>-</u>	<u>-</u>	<u>0.41</u>	<u>0.19</u>	<u>-</u>	<u>-</u>
The tax on the company profit/(loss) before tax differs from the theoretical amount that would arise using basic rates as follows:								
Profit/(loss) before tax	1,410,472	(1,676,137)	419,982	272,462	0.94	(1.10)	0.28	0.18
Tax calculated at a rate of 28%	394,932	469,318	117,595	76,289	0.26	0.31	0.08	0.05
Deferred tax – prior year under provision	319,137	716,766	-	-	0.21	0.47	-	-
Expenses not deductible for tax	98,423	37,569	117,595	76,289	0.07	0.02	0.08	0.05
Tax charge	<u>615,646</u>	<u>285,017</u>	<u>-</u>	<u>-</u>	<u>0.41</u>	<u>0.19</u>	<u>-</u>	<u>-</u>

No provision has been made for current taxation as the group has an estimated tax loss of R14 606 510 (2011: R16 337 712). The group recognises deferred tax assets to the extent that future taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilised.

No assessed loss has been carried forward for the company.

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for the year ended 31 March 2012

6 Property, plant and equipment

Group	Leasehold improvements R	Plant and machinery R	Motor vehicles R	Office furniture and computer equipment R	Capital work-in-progress R	Total R	Leasehold improvements Rs.in Crore	Plant and machinery Rs.in Crore	Motor vehicles Rs.in Crore	Office furniture and computer equipment Rs.in Crore	Capital work-in-progress Rs.in Crore	Total Rs.in Crore
Year ended 31 March 2012												
Opening net carrying amount	1,664,804	1,818,430	25,232	637,867	-	4,146,333	1.10	1.21	0.02	0.42	-	2.75
Additions	-	369,476	108,333	193,326	66,450	737,585	-	0.25	0.07	0.13	0.04	0.49
Depreciation	(285,163)	(464,312)	(46,130)	(319,158)	(1,114,763)	-	-	(0.19)	(0.31)	(0.03)	(0.21)	(0.74)
Disposals	-	-	-	22,860	-	(22,860)	-	-	-	0.02	-	(0.02)
Closing net carrying amount	1,379,641	1,723,594	87,435	489,175	66,450	3,746,295	0.92	1.14	0.06	0.32	0.04	2.49
Cost	2,851,041	5,334,704	325,382	1,781,763	66,450	10,359,340	1.89	3.54	0.22	1.18	0.04	6.87
Accumulated depreciation and impairment	(1,471,400)	(3,611,110)	(237,947)	(1,292,588)	-	(6,613,044)	(0.98)	(2.40)	(0.16)	(0.86)	-	(4.39)
Closing net carrying amount	1,379,641	1,723,594	87,435	489,175	66,450	3,746,295	0.92	1.14	0.06	0.32	0.04	2.49

Depreciation charge of R1 114763 (2011: R1 236521) has been charged to operating expenses.

Group	Leasehold improvements R	Plant and machinery R	Motor vehicles R	Office furniture and computer equipment R	Capital work-in-progress R	Total R	Leasehold improvements Rs.in Crore	Plant and machinery Rs.in Crore	Motor vehicles Rs.in Crore	Office furniture and computer equipment Rs.in Crore	Capital work-in-progress Rs.in Crore	Total Rs.in Crore
Year ended 31 March 2011												
Opening net carrying amount	1,949,969	2,456,815	126,551	418,752	423,421	5,375,508	1.28	1.62	0.08	0.28	0.28	3.54
Additions	-	4,200	-	185,420	-	189,620	-	-	-	0.12	-	0.12
Transfer	-	-	-	397,407	(397,407)	-	-	-	-	0.26	(0.26)	-
Disposals	-	(142,201)	(4,414)	(9,645)	(26,014)	(182,274)	-	(0.09)	-	(0.01)	(0.02)	(0.12)
Depreciation	(285,165)	(500,384)	(96,905)	(354,067)	-	(1,236,521)	(0.19)	(0.33)	(0.06)	(0.23)	-	(0.81)
Closing net carrying amount	1,664,804	1,818,430	25,232	637,867	-	4,146,333	1.1	1.2	0.02	0.42	-	2.73
Cost	2,851,041	5,014,029	357,049	2,093,169	-	10,315,288	1.88	3.3	0.24	1.38	-	6.79
Accumulated depreciation and impairment	(1,186,237)	(3,195,599)	(331,817)	(1,455,302)	-	(6,168,955)	(0.78)	(2.1)	(0.22)	(0.96)	-	(4.06)
Closing net carrying amount	1,664,804	1,818,430	25,232	637,867	-	4,146,333	1.1	1.2	0.02	0.42	-	2.73

Company:

No items of property, plant and equipment are held at company level.

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7 Intangible assets

Group	Brands R	Total R	Brands Rs. Crore	Total Rs. Crore
Year ended 31 March 2012				
Opening carrying amount	49,330,489	49,330,489	32.73	32.73
Disposals	(1,267,565)	(1,267,565)	(0.84)	(0.84)
Closing carrying amount	<u>48,062,924</u>	<u>48,062,924</u>	<u>31.88</u>	<u>31.88</u>
Cost	50,062,924	50,062,924	33.21	33.21
Accumulated amortisation	(2,000,000)	(2,000,000)	(1.33)	(1.33)
Closing carrying amount	<u>48,062,924</u>	<u>48,062,924</u>	<u>31.88</u>	<u>31.88</u>
Year ended 31 March 2011				
Opening carrying amount	33,330,489	33,330,489	21.94	21.94
Additions	16,000,000	16,000,000	10.53	10.53
Closing carrying amount	<u>49,330,489</u>	<u>49,330,489</u>	<u>32.47</u>	<u>32.47</u>
Cost	51,330,489	51,330,489	33.79	33.79
Accumulated amortisation	(2,000,000)	(2,000,000)	(1.32)	(1.32)
Closing carrying amount	<u>49,330,489</u>	<u>49,330,489</u>	<u>32.47</u>	<u>32.47</u>

The group has classified its intangible assets as having indefinite useful lives. This conclusion is 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 from 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 revaluation 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 an impairment charge is raised.

The key assumptions used for the value-in-use calculations are as follows:

Growth rate	*1	5.70%
Discount rate	*2	8%

*1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.

*2 Post-tax discount rate applied to the cash flow projections.

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	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
8 Investment in subsidiary								
Marico South Africa Proprietary Limited								
Investment in shares at cost	–	–	45,485,555	45,485,555	–	–	30.18	29.94

The group's share of the results of its subsidiary, which is unlisted, are as follows:

Name	Country of incorporation	Profit'(Loss) after tax	Rs. Crore
2012			
Marico South Africa (Pty) Ltd	South Africa	R1, 214,807	0.81
2011			
Marico South Africa (Pty) Ltd	South Africa	(R1, 688,692)	(1.11)

The following information relates to the company's financial interest in its subsidiary:

Name	Number of shares held	Proportion held	Nature of business
Subsidiary			
Marico South Africa (Proprietary) Limited	5000	100%	Manufacturing and distributing of wide range of personal care and affordable complementary health care products

9 Inventories

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
Raw materials	7,895,389	10,614,091	–	–	5.24	6.99	–	–
WVork in progress	503,445	431,138	–	–	0.33	0.28	–	–
Finished goods	10,452,428	8,186,241	–	–	6.93	5.39	–	–
	18851,262	19,231,470	–	–	12.51	12.66	–	–
Provision for obsolescence	(1,260,058)	(1,127,892)	–	–	(0.84)	(0.74)	–	–
	17,591,204	18,103,578	–	–	11.67	11.92	–	–

The cost of inventories recognised as an expense
and included in cost of sales amounted to R88 938 105
(2011: R70 652 366).

10 Trade and other receivables

Trade receivables	29,051,766	29,036,995	–	–	19.27	19.11	–	–
Provision for doubtful debts	(14,967)	(119,713)	–	–	(0.01)	(0.08)	–	–
Provision for rebates	(5,618,532)	(5,455,819)	–	–	(3.73)	(3.59)	–	–
Other receivables	419,748	2,112,203	–	–	0.28	1.39	–	–
Provision for credit notes	(728,583)	(834,407)	–	–	(0.48)	(0.55)	–	–
	23,109,432	24,739,259	–	–	15.33	16.28	–	–

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10 Trade and other receivables (Contd.)

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
The group grants credit of 30 days to its customers. The analysis of trade receivables which are past due at year end is as follows:								
Past due by 30 days	9730,463	9,020,640	–	–	6.46	5.94	–	–
Past due by 60 days	2,984,244	1,616,257	–	–	1.98	1.06	–	–
Past due by 90 days	1,494,603	2,669,695	–	–	0.99	1.76	–	–
	14,209,310	13,306,592	–	–	9.43	8.76	–	–

11 Cash and cash equivalents

Bank balances	4,961,765	3,959,328	195,577	287,715	3.29	2.61	0.13	0.19
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For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Bank balances	4,961,765	3,959,328	195,577	287,715	3.29	2.61	0.13	0.19
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Credit quality of cash at bank: BBB+

12 Share capital and share premium

Authorised

1,000 Ordinary shares of R1 each	1,000	1,000	1,000	1,000	–	–	–	–
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Issued

800 Ordinary shares of R1 each	800	800	800	800	–	–	–	–
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Share premium

	43,799,900	43,799,900	43,799,900	43,799,900	29.06	28.83	29.06	28.83
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13 Deferred income tax assets

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 28% (2011: 28%).

The movement on the deferred income tax asset account is as follows:

At beginning of year	7,692,781	7,977,798	–	–	5.10	5.25	–	–
Current year charge to statement of comprehensive income	(615,646)	(285,017)	–	–	(0.41)	(0.19)	–	–
At end of year	7,077,135	7,692,781	–	–	4.69	5.06	–	–

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13 Deferred income tax assets (Contd.)

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
Deferred tax assets may be analysed as follows:								
Property, plant and equipment	(64,584)	51,733	–	–	(0.04)	0.03	–	–
Other provisions	3,051,896	2,713,323	–	–	2.02	1.79	–	–
Tax losses carried forward	4,089,823	4,927,725	–	–	2.71	3.24	–	–
	7,077,135	7,692,781	–	–	4.69	5.06	–	–

No deferred tax asset has been recognised a company level as it is not probable that future taxable profits will be available against which temporary differences can be utilised.

14 Goodwill

Carrying value at the end of the year	37,686,823	37,686,823	–	–	25.00	24.81	–	–
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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.

15 Trade and other payables

Trade payables	16,540,204	23,292,601	–	–	10.97	15.33	–	–
Amount due to related party (refer note 20)	158,242	91,354	–	–	0.10	0.06	–	–
Accruals	1,899,305	2,636,163	–	–	1.26	1.74	–	–
Audit fee provision	386,080	526,404	20,000	20,000	0.26	0.35	0.01	0.01
Bonus provision	1,834,833	1,005,107	–	–	1.22	0.66	–	–
Leave pay provision	672,118	583,407	–	–	0.45	0.38	–	–
Other payables	255,425	235,120	–	–	0.17	0.15	–	–
	21,746,207	28,370,156	20,000	20,000	14.43	18.67	0.01	0.01

16 Borrowings

Related party (refer note 20)								
Non-current portion	61,225,999	60,956,826	61,225,999	60,956,826	40.62	40.12	40.62	40.12
Current portion	22,492,444	20,355,507	22,492,444	20,355,507	14.92	13.40	14.92	13.40
	83,718,443	81,312,333	83,718,443	81,312,333	55.54	53.52	55.54	53.52

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 Offered

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
Rate plus 7%. The current portion of the loan is repayable within 12 months and bears interest at a rate of 9% (2011: 10,5%).								
Maturity of borrowings								
Due within 1 year	22,492,444	20,355,507	22,492,444	20,355,507	14.92	13.40	14.92	13.40
Due within 2 – 5 years	61,225,999	60,956,826	61,225,999	60,956,826	40.62	40.12	40.62	40.12
	83718443	81 312333	83718443	81 312 333	55.54	53.52	55.54	53.52
17 Amount due from related party								
Related party (refer note 20)								
Non-current portion	–	–	55,688,008	55,746,678	–	–	36.94	36.69
Current portion	–	–	22,492,444	20,355,507	–	–	14.92	13.40
	–	–	78,180,452	76,102,185	–	–	51.86	50.09
The loan is unsecured. The non-current portion of the loan is repayable in four years and bears interest at the 6 month London Inter bank Offered Rate plus 7%. The current portion of the loan is repayable within 12 months and bears interest at a rate of 9% (2011: 10,5%).								
Maturity of borrowings								
Due within 1 year	–	–	55,688,008	55,746,678	–	–	36.94	36.69
Due within 2 – 5 years	–	–	22,492,444	20,355,507	–	–	14.92	13.40
	–	–	78,180,452	76,102,185	–	–	51.86	50.09

18 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 its subsidiary.

Financial instruments are carried at fair value or amounts that approximate fair value.

Financial assets

Loans and receivables:

Assets as per the statement of financial position

Trade and other receivables	23,109,432	24,739,259	–	–	15.33	16.28	–	–
Cash and cash equivalents	4,961,765	3,959,328	195,577	287,715	3.29	2.61	0.13	0.19
Amount due from related party	–	–	78,180,452	76,102,185	–	–	51.86	50.09
	28,071,197	28,698,587	78,376,029	76,389,900	18.62	18.89	51.99	50.28

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
Financial liabilities								
Financial liabilities at amortised cost:								
Liabilities as per the statement of financial position								
Interest bearing liabilities	83,718,443	81,312,333	83,718,443	81,312,333	55.54	53.52	55.54	53.52
Trade and other payables	19,239,256	26,781,642	20,000	20,000	12.76	17.63	0.01	0.01
	102,957,699	108,093,975	83,738,443	81,332,333	68.30	71.15	55.55	53.53
19 Cash flow from operating activities								
Operating profit/(loss)	7,588,136	4,068,829	(3,945)	(4,959)	5.03	2.68	(0.01)	(0.01)
Adjusted for:								
Non-cash items								
Depreciation	1,114,763	1,236,521	–	–	0.08	0.81	–	–
Asset write off	–	26,014	–	–	–	0.02	–	–
Profit on sale of assets	(79,640)	(113,740)	–	–	(0.05)	(0.07)	–	–
Loss on disposal of intangible asset	367,565	–	–	–	0.24	–	–	–
Operating profit before working capital changes:								
Decrease/(increase) in trade and other receivables	1,629,827	(6,542,252)	–	–	1.08	(4.31)	–	–
Decrease/(increase) in inventories	512,375	(5,828,542)	–	–	0.34	(3.84)	–	–
(Increase)/decrease in trade and other payables	(6,623,949)	9,043,087	–	–	(4.39)	5.95	–	–
	4,509,077	1,889,917	(3,945)	(4,959)	2.99	1.24	(0.01)	(0.01)
20 Related party transactions								

At 31 March 2012, the holding company of Marico South Africa Consumer Care Proprietary Limited and its subsidiary is a listed company incorporated in India, which holds 100% of the company's issued share capital. Marico South Africa Consumer Care Proprietary Limited and its subsidiary holds 100% of the issued share capital of Marico South Africa Proprietary Limited. The directors are listed in the director's report.

MARICO SOUTH AFRICA CONSUMER CARE
(PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	R	R	R	R	Rs.in Crore	Rs. in Crore	Rs. in Crore	Rs. in Crore
The group has a related party relationship with its holding company, subsidiary and with its directors and key management personnel.								
Transactions with related parties:								
The following transactions were carried out by the company with related parties:								
Interest income earned (refer note 4.2)								
Marico South Africa Proprietary Limited	–	–	5,825,715	5,634,865	–	–	3.86	3.71
Interest expense incurred (refer note 4.1)								
Marico Limited	6,261,564	5,927,051	6,261,564	5,927,051	4.15	3.90	4.15	3.90
Directors' emoluments (refer note 2)	2,589,324	5,030,785	–	–	1.72	3.31	–	–
Investment in subsidiary (refer note 8):								
Marico South Africa Proprietary Limited	–	–	45,485,555	45,485,555	–	–	30.18	29.94
Amounts due from related parties								
Amounts due from subsidiary (refer note 17):								
Marico South Africa Proprietary Limited	–	–	78,180,452	76,102,185	–	–	51.86	50.09
Amounts due to related parties								
Amounts due to holding company (refer note 16):								
Marico Limited	83,718,443	81,312,333	83,718,443	81,312,333	55.54	53.52	55.54	53.52
Included in trade and other payables (refer note 15):								
Marico Limited	148,042	91,354	–	–	0.10	0.06	–	–
21 Commitments								
Operating lease commitments								
The future minimum lease payments payable under non-cancellable operating leases are as follows:								
Within 1 year	1,769,054	1,512,441	–	–	1.17	1.00	–	–
Between 2 and 5 years	5,971,197	7,013,330	–	–	3.96	4.62	–	–
Over 5 years	7,740,251	8,525,771	–	–	5.13	5.61	–	–
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.								

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, Modeni 4052

Factory

1474 South Coast Road, Modeni 4052

Auditors

PriceWaterhouseCooper

Bankers

Standard Bank of South Africa Limited

Legal Advisors

Adams & Adams - Patent and Trademark Attorneys

Denez Reltz - Commercial Attorney

Shepstone & Wylie - Litigation Attorneys

KPMG - Seceretary Services

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 31 March 2012

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Marico South Africa Proprietary Limited. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all statements of IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial positions of the company at year end.

The directors have the responsibility of ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial positions of the company to enable the directors to ensure that the financial statements comply with the relevant legislation.

Marico South Africa Proprietary Limited operated in an established control environment, which is documented and reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future. The company's external auditors, PricewaterhouseCoopers Inc, audited the financial statements and their report is presented hereinafter.

The financial statements were approved by the board of directors and are signed on their behalf.

Director

8 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARICO SOUTH AFRICA PROPRIETARY LIMITED

We have audited the annual financial statements of Marico South Africa Proprietary Limited, which comprise the statement of financial position as at 31 March 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 4 to 26.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard and in the manner required by the Companies Act of South Africa, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 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 Marico South Africa Proprietary Limited at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

Director: N Ramlagan

Registered Auditor

Durban

8 June 2012

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

REPORT OF THE DIRECTORS'

for the year ended 31 March 2012

The directors present their annual report, which forms part of the audited financial statements of the company for the year ended 31 March 2012.

1 Nature of business

The company manufactures and distributes a wide range of personal care and affordable complementary health care products.

2 Dividends

No dividends have been declared during the period and none are recommended (2011: R Nil).

3 Share capital

The authorised and issued share capital has remained unchanged.

4 Directors and secretary

The present directors of the company are:

JR Mason

H Mariwala (Indian)

M Sarwate (Indian)

V Subramanian (Indian)

P Maydeo (Indian)

No secretary has been appointed.

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.

6 Material events after year-end

No matter which is material to the financial affairs of the company and group has occurred between the statement of financial position date and the date of approval of the financial statements.

7 Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with the Companies Act of South Africa.

8 Going concern

The company generated a net profit for the period of R1 214807 (2011: loss of R1 688692). At 31 March 2012 the company's total assets exceeded its total liabilities by R4 446 519 (2011: R3 231 712).

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.

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Notes	2012 R	2011 R	2012 Rs.Crore	2011 Rs.crore
ASSETS					
Non-current assets					
Property, plant and equipment	6	3,746,295	4,146,333	2.49	2.73
Intangible assets	7	48,062,924	49,330,489	31.88	32.47
Deferred income tax asset	12	7,077,135	7,692,781	4.69	5.06
		<u>58,886,354</u>	<u>61,169,603</u>	<u>39.07</u>	<u>40.26</u>
Current assets					
Trade and other receivables	9	23,109,432	24,739,259	15.33	16.28
Inventories	8	17,591,204	18,103,578	11.67	11.92
Cash and cash equivalents	10	4,766,188	3,671,613	3.16	2.42
		<u>45,466,824</u>	<u>46,514,450</u>	<u>30.16</u>	<u>30.62</u>
Total assets		<u>104,353,178</u>	<u>107,684,053</u>	<u>69.23</u>	<u>70.88</u>
EQUITY					
Capital and reserves attributable to equity holders of the company					
Share capital	11	5,000	5,000	–	–
Share premium	11	22,863,735	22,863,735	15.17	15.05
Accumulated loss		(18,422,216)	(19,637,023)	(12.22)	(12.93)
Total equity		<u>4,446,519</u>	<u>3,231,712</u>	<u>2.95</u>	<u>2.13</u>
LIABILITIES					
Non-current liabilities					
Borrowings	14	55,688,008	55,746,678	36.94	36.69
Current liabilities					
Trade and other payables	13	21,726,207	28,350,156	14.41	18.66
Borrowings	14	22,492,444	20,355,507	14.92	13.40
		<u>44,218,651</u>	<u>48,705,663</u>	<u>29.33</u>	<u>32.06</u>
Total liabilities		<u>99,906,659</u>	<u>104,452,341</u>	<u>66.28</u>	<u>68.75</u>
Total equity and liabilities		<u>104,353,178</u>	<u>107,684,053</u>	<u>69.23</u>	<u>70.88</u>

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

“The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them.”

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

	Notes	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
Revenue		157,263,448	137,813,935	104.33	90.71
Cost of sales		(88,938,105)	(70,652,366)	(59.00)	(46.50)
Gross profit		68,325,343	67,161,569	45.33	44.21
Operating expenses		(60,879,584)	(63,396,235)	(40.39)	(41.73)
Other income		146,321	308,454	0.10	0.20
Operating profit	2	7,592,080	4,073,788	5.04	2.68
Finance income	4	64,088	157,402	0.04	0.10
Finance costs	4	(5,825,715)	(5,634,865)	(3.86)	(3.71)
Profit/(loss) before income tax		1,830,453	(1,403,675)	1.21	(0.92)
Income tax expense	5	(615,646)	(285,017)	(0.41)	(0.19)
Total comprehensive profit/(loss) for the year		1,214,807	(1,688,692)	0.81	(1.11)

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

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MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2012

	Share capital R	Share premium R	Accumulated loss R	Total R	Share capital Rs.in Crore	Share premium Rs.in Crore	Accumulated loss Rs.in Crore	Total Rs.in Crore
Year ended 31 March 2012								
Balance at 1 April 2011	5,000	22,863,735	(19,637,023)	3,231,712	-	15.05	(12.93)	2.13
Total comprehensive profit for the year	-	-	1,214,807	1,214,807	-	0	0.81	0.81
Balance at 31 March 2012	<u>5,000</u>	<u>22,863,735</u>	<u>(18,422,216)</u>	<u>4,446,519</u>	<u>-</u>	<u>15.17</u>	<u>(12.22)</u>	<u>2.95</u>
Year ended 31 March 2011								
Balance at 1 April 2010	5,000	22,863,735	(17,948,331)	4,920,404	-	14.1	(11.07)	3.03
Total comprehensive loss for the year	-	-	(1,688,692)	(1,688,692)	-	-	(1.11)	(1.11)
Balance at 31 March 2011	<u>5,000</u>	<u>22,863,735</u>	<u>(19,637,023)</u>	<u>3,231,712</u>	<u>-</u>	<u>15.05</u>	<u>(12.93)</u>	<u>2.13</u>

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

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MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 March 2012

	Notes	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
Cash flow from operating activities					
Cash flow from operations	15	4,513,021	1,894,876	2.99	1.25
Finance costs	4	(5,825,715)	(5,634,865)	(3.86)	(3.71)
Finance income	4	64,088	157,402	0.04	0.1
Net cash used in operating activities		<u>(1,248,606)</u>	<u>(3,582,587)</u>	<u>(0.83)</u>	<u>(2.36)</u>
Cash flow from investing activities					
Additions to property, plant and equipment		(737,585)	(189,620)	(0.49)	(0.12)
Additions to intangible assets		–	(16,000,000)	–	(10.53)
Proceeds on disposal of property, plant and equipment		1,002,499	270,000	0.67	0.18
Net cash used in investing activities		<u>264,914</u>	<u>(15,919,620)</u>	<u>0.18</u>	<u>(10.48)</u>
Cash flow from financing activities					
Increase in borrowings		2,078,267	20,249,764	1.38	13.33
Net cash generated from financing activities		<u>2,078,267</u>	<u>20,249,764</u>	<u>1.38</u>	<u>13.33</u>
Net increase in cash and cash equivalents		1,094,575	747,557	0.73	0.49
Cash and cash equivalents at beginning of year		3,671,613	2,924,056	2.44	1.92
Cash and cash equivalents at end of year	10	<u>4,766,188</u>	<u>3,671,613</u>	<u>3.16</u>	<u>2.42</u>

Note- The exchange rate used to convert ZAR to Rs. <6.634> / <ZAR> (Rs. <6.582> / <ZAR>)

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.21.

1.2 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line basis so as to write off the cost of the assets to their residual values over their expected useful lives. The expected useful lives are as follows:

Leasehold 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

1.3 Intangible assets**Brands**

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

Intangibles assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimate useful lives of intangible assets from the date that they are available for use.

Intangibles 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.

1.4 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.5 Leased assets

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.6 Inventory

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.7 Financial assets

1.7.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2012***(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 1.9 and 1.10).

1.7.2 Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the company's right to receive payments is established.

1.8 Impairment of financial assets*(a) Assets carried at amortised cost*

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

1.9 Trade receivables

Trade receivables are measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Trade payables

Trade payables are carried initially at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier, and subsequently measured at amortised cost using the effective interest rate method.

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position.

1.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.14 Financial risk management

(1) Financial risk factors

The company's activities expose it to a variety of financial risks, including the effects of changes in interest rates and foreign currency exchange rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The company does not use derivative financial instruments, such as interest rate swaps and forward exchange contracts, to hedge certain exposures.

(a) Foreign exchange risk

The company is occasionally exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar. The company does not use forward contracts to hedge their exposure to foreign currency risk in connection with the measurement currency.

(b) Interest rate risk

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 period 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 has been 50 basis points higher/lower and all other variables held constant, the company's profit before tax would decrease by:

	2012 R	2011 R	2012 Rs. Crore	2011 Rs. Crore
Effect on profit before tax	<u>384196</u>	<u>338750</u>	<u>0.25</u>	<u>0.22</u>

(c) Credit risk

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 statement of financial position, grossed up for any allowances for losses.

(d) Liquidity risk

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.

The following table details the company and company's remaining contractual maturity of its non-derivative financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.14 Financial risk management (Contd.)

	Average Interst rate	Within 1 period R	Greater than 2 periods R	Total R	Within 1 period Rs. Crore	Greater than 2 periods Rs. Crore	Total Rs. Crore
2012							
Trade and other payables		19219256	–	19219256	12.75	–	12.75
Interest bearing shareholder loan	8,26%	22492444	55688008	78180452	14.92	36.94	51.86
		<u>41711700</u>	<u>55688008</u>	<u>97399708</u>	<u>27.67</u>	<u>36.94</u>	<u>64.61</u>
2011							
Trade and other payables		26 761 642	–	26761 642	17.61	–	17.61
Interest bearing shareholder loan	7.61%	20355507	55746678	76102 185	13.40	36.69	50.09
		<u>47117149</u>	<u>55746678</u>	<u>102863827</u>	<u>31.01</u>	<u>36.69</u>	<u>67.70</u>

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

1.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The difference between the proceeds received and the par value of ordinary shares issued are shown within equity as share premium.

1.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. It is the company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

1.17 Research and development costs

Research and development costs are recognised as an expense to the extent that such expenditure are not expected to have future benefits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1.18 Employee benefits

The group operates two retirement benefit schemes. These are both defined contribution funds. A defined contribution fund is a retirement benefit plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group pays contributions on a contractual basis and contributions are recognised as an expense when they are due.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.20 Changes in accounting policy and disclosures

Standards and amendments to existing standards effective in 2012

There are no IFRS's or IFRIC interpretations that are effective, that would be expected to have a material impact on the company.

Standards and amendments issued but not effective for March 2012 year-end

- Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI.
- IFRS 9 - Financial Instruments (2009).
- IFRS 9 - Financial Instruments (2010).
- Amendment to IFRS 9 - Financial Instruments (2011).
- Amendment to IAS 32 - Financial Instruments: Presentation.

Standards and amendments issued but not effective and not relevant for 31 March 2012

- Amendment to IAS 12, 'Income taxes' on deferred tax.
- IFRS 12 - Disclosures of interest in other entities.

1.21 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.21.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Estimated impairment of intangible assets

The company tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1.3. The recoverable amounts of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates (refer note 7).

If the revised estimated discounting rate applied was 1 % lower/higher than management's estimates, the company will not have to recognise an impairment against intangible assets.

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
2 Operating profit				
2.1 The following items have been charged/(credited) in arriving at operating profit:				
Depreciation on property, plant and equipment	1,114,763	1,236,521	0.74	0.81
(A detailed breakdown of the depreciation expense is presented in note 6)				
Profit on disposal of property, plant and equipment	(79,640)	(113,740)	(0.05)	(0.07)
Loss on disposal of intangible asset	367,565	–	0.24	–
Auditor's remuneration:				
Audit fees				
- current year provision	360,000	467,004	0.24	0.31
- prior year underprovision	293,541	45,160	0.19	0.03
	<u>653,541</u>	<u>512,164</u>	<u>0.43</u>	<u>0.34</u>
Lease rentals				
- Buildings	3,411,440	3,418,472	2.26	2.25
- Computers	355,943	214,414	0.24	0.14
	<u>3,767,383</u>	<u>3,632,886</u>	<u>2.50</u>	<u>2.39</u>
Directors' emoluments (refer note 16)				
Salaries	1,462,689	3,275,169	0.97	2.16
Other	1,126,635	1,755,616	0.75	1.16
	<u>2,589,324</u>	<u>5,030,785</u>	<u>1.72</u>	<u>3.31</u>
Staff costs (see note 3)	<u>18,799,707</u>	<u>14,120,360</u>	<u>12.47</u>	<u>9.29</u>
2.2 Expenses by nature				
Depreciation	1,114,763	1,236,521	0.74	0.81
Directors' emoluments	2,589,324	5,030,785	1.72	3.31
Operating lease rentals	3,767,383	3,632,886	2.50	2.39
Staff costs	18,799,707	14,120,360	12.47	9.29
Cost of sales	88,938,105	71,258,719	59.00	46.90
Commission	4,855,264	4,075,254	3.22	2.68
Advertising	11,474,149	14,495,953	7.61	9.54
Freight	9,066,861	7,625,948	6.01	5.02
Other	9,212,133	12,572,175	6.11	8.28
Total cost of sales and operating expenses	<u>149,817,689</u>	<u>134,048,601</u>	<u>99.39</u>	<u>88.23</u>

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
3 Staff costs				
Salaries and wages	15,433,476	12,554,853	10.24	8.26
Other	3,366,231	1,565,507	2.23	1.03
	<u>18,799,707</u>	<u>14,120,360</u>	<u>12.47</u>	<u>9.29</u>
Average number of persons employed:				
Full time	<u>117</u>	<u>116</u>	<u>—</u>	<u>—</u>
4 Finance (costs)/income				
4.1 Finance income - Bank	64,088	157,402	0.04	0.10
4.2 Finance costs				
Related party (refer note 16)	(5,825,715)	(5,634,865)	(3.86)	(3.71)
Net finance costs	<u>(5,761,627)</u>	<u>(5,477,463)</u>	<u>(3.82)</u>	<u>(3.61)</u>
5 Income tax expense				
Deferred tax				
current year	296,509	(434,749)	0.20	(0.29)
prior year underprovision	319,137	719,766	0.21	0.47
	<u>615,646</u>	<u>285,017</u>	<u>0.41</u>	<u>0.19</u>
The tax on the company profit/(loss) before tax differs from the theoretical amount that would arise using basic rates as follows:				
Profit/(loss) before tax	1,830,453	(1,403,675)	1.21	(0.92)
Tax calculated at a rate of 28%	512,527	(393,029)	0.34	(0.26)
Deferred tax - prior year underprovision	319,137	719,766	0.21	0.47
Expenses not deductible for tax	(218,018)	(41,720)	(0.14)	(0.03)
Tax charge	<u>615,646</u>	<u>285,017</u>	<u>0.41</u>	<u>0.19</u>

No provision has been made for current taxation as the company has an estimated tax loss of R14,606,510 (2011:R16,337, 712). The company recognises deferred tax assets to the extent that future taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

6 Property, plant and equipment

Group	Leasehold improvements	Plant and machinery	Motor vehicles	Office furniture and computer equipment	Capital work-in-progress	Total	Leasehold improvements	Plant and machinery	Motor vehicles	Office furniture and computer equipment	Capital work-in-progress	Total
	R	R	R	R	R	R	Rs.in Crore	Rs.in Crore	Rs.in Crore	Rs.in Crore	Rs.in Crore	Rs.in Crore
Year ended 31 March 2012												
Opening net carrying amount	1,664,804	1,818,430	25,232	637,867	-	4,146,333	1.10	1.21	0.02	0.42	-	2.75
Additions	-	369,476	108,333	193,326	66,450	737,585	-	0.25	0.07	0.13	0.04	0.49
Depreciation	(285,163)	(464,312)	(46,130)	(319,158)	-	(1,114,763)	(0.19)	(0.31)	(0.03)	(0.21)	-	(0.74)
Disposals	-	-	-	22,860	-	(22,860)	-	-	-	0.02	-	(0.02)
Closing net carrying amount	1,379,641	1,723,594	87,435	489,175	66,450	3,746,295	0.92	1.14	0.06	0.32	0.04	2.49
Cost	2,851,041	5,334,704	325,382	1,781,763	66,450	10,359,340	1.89	3.54	0.22	1.18	0.04	6.87
Accumulated depreciation and impairment	(1,471,400)	(3,611,110)	(237,947)	(1,292,588)	-	(6,613,045)	(0.98)	(2.40)	(0.16)	(0.86)	-	(4.39)
Closing net carrying amount	1,379,641	1,723,594	87,435	489,175	66,450	3,746,295	0.92	1.14	0.06	0.32	0.04	2.49
Depreciation charge of R1,114,763 (2011: R1,236,521) has been charged to operating expenses.												
Group	Leasehold improvements	Plant and machinery	Motor vehicles	Office furniture and computer equipment	Capital work-in-progress	Total	Leasehold improvements	Plant and machinery	Motor vehicles	Office furniture and computer equipment	Capital work-in-progress	Total
	R	R	R	R	R	R	Rs.in Crore	Rs.in Crore	Rs.in Crore	Rs.in Crore	Rs.in Crore	Rs.in Crore
Year ended 31 March 2011												
Opening net carrying amount	1,949,969	2,456,815	126,551	418,752	423,421	5,375,508	1.28	1.62	0.08	0.28	0.28	3.54
Additions	-	4,200	-	185,420	-	189,620	-	-	-	0.12	-	0.12
Transfer	-	-	-	397,407	(397,407)	-	-	-	-	0.26	(0.26)	-
Disposals	-	(142,201)	(4,414)	(9,645)	(26,014)	(182,274)	-	(0.09)	-	(0.01)	(0.02)	(0.12)
Depreciation	(285,165)	(500,384)	(96,905)	(354,067)	-	(1,236,521)	(0.19)	(0.33)	(0.06)	(0.23)	-	(0.81)
Closing net carrying amount	1,664,804	1,818,430	25,232	637,867	-	4,146,333	1.10	1.20	0.02	0.42	-	2.73
Cost	2,851,041	5,014,029	357,049	2,093,169	-	10,315,288	1.88	3.30	0.24	1.38	-	6.79
Accumulated depreciation and impairment	(1,186,237)	(3,195,599)	(331,817)	(1,455,302)	-	(6,168,955)	(0.78)	(2.10)	(0.22)	(0.96)	-	(4.06)
Closing net carrying amount	1,664,804	1,818,430	25,232	637,867	-	4,146,333	1.10	1.20	0.02	0.42	-	2.73
Company:												

No items of property, plant and equipment are held at company level.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

7 Intangible assets

	2012	2011	2012	2011
	Brands	Total	Brands	Total
	R	R	Rs.Crore	Rs.Crore
Year ended 31 March 2012				
Opening carrying amount	49,330,489	49,330,489	32.73	32.73
Disposals	(1,267,565)	(1,267,565)	(0.84)	(0.84)
Closing carrying amount	48,062,924	48,062,924	31.88	31.88
Cost	50,062,924	50,062,924	33.21	33.21
Accumulated amortisation	(2,000,000)	(2,000,000)	(1.33)	(1.33)
Closing carrying amount	48,062,924	48,062,924	31.88	31.88
Year ended 31 March 2011				
Opening carrying amount	33,330,489	33,330,489	21.94	21.94
Additions	16,000,000	16,000,000	10.53	10.53
Closing carrying amount	49,330,489	49,330,489	32.47	32.47
Cost	51,330,489	51,330,489	33.79	33.79
Accumulated amortisation	(2,000,000)	(2,000,000)	(1.32)	(1.32)
Closing carrying amount	49,330,489	49,330,489	32.47	32.47

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 from 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 complementary 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 an impairment charge is raised.

The key assumptions used for the value-in-use calculations are as follows:

Growth rate *1 5.70%

Discount rate *2 8%

*1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.

*2 Post-tax discount rate applied to the cash flow projections.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
8 Inventories				
Raw materials	7,895,389	10,614,091	5.24	6.99
Work in progress	503,445	431,138	0.33	0.28
Finished goods	10,452,428	8,186,241	6.93	5.39
	<u>18,851,262</u>	<u>19,231,470</u>	<u>12.51</u>	<u>12.66</u>
Provision for obsolescence	(1,260,058)	(1,127,892)	(0.84)	(0.74)
	<u>17,591,204</u>	<u>18,103,578</u>	<u>11.67</u>	<u>11.92</u>
The cost of inventories recognised as an expense and included in cost of sales amounted to R88, 938,105 (2011: R70, 652, 366).				
9 Trade and other receivables				
Trade receivables	29,051,766	29,036,995	19.27	19.11
Provision for doubtful debts	(14,967)	(119,713)	(0.01)	(0.08)
Provision for rebates	(5,618,532)	(5,455,819)	(3.73)	(3.59)
Other receivables	419,748	2,112,203	0.28	1.39
Provision for credit notes	(728,583)	(834,407)	(0.48)	(0.55)
	<u>23,109,432</u>	<u>24,739,259</u>	<u>15.33</u>	<u>16.28</u>
The company grants credit of 30 days to its customers. The analysis of trade receivables which are past due at year end is as follows:				
Past due by 30 days	9,730,463	9,020,640	6.46	5.94
Past due by 60 days	2,984,244	1,616,257	1.98	1.06
Past due by 90 days	1,494,603	2,669,695	0.99	1.76
	<u>14,209,310</u>	<u>13,306,592</u>	<u>9.43</u>	<u>8.76</u>
10 Cash and cash equivalents				
Bank balances	4,766,188	3,671,613	3.16	2.42
For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:				
Bank balances	4,766,188	3,671,613	3.16	2.42
Credit quality of cash at bank: BBB+				
11 Share capital and share premium				
Authorised				
600, 000 Ordinary shares of R 1 each	6,000	6,000	0.01	0.01
Issued				
500, 000 Ordinary shares of R 1 each	5,000	5,000	0.01	0.81
Share premium	22,863,735	22,863,735	15.17	15.05

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for the year ended 31 March 2012

	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
12 Deferred income tax assets				
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 28% (2011: 28%).				
The movement on the deferred income tax asset account is as follows:				
At beginning of year	7,692,781	7,977,798	5.10	5.25
Current year charge to statement of comprehensive income	(615,646)	(285,017)	(0.41)	(0.19)
At end of year	<u>7,077,135</u>	<u>7,692,781</u>	<u>4.69</u>	<u>5.06</u>
Deferred tax assets/(liabilities) may be analysed as follows:				
Property, plant and equipment	(64,584)	51,733	(0.04)	0.03
Other provisions	3,051,896	2,713,323	2.02	1.79
Tax losses carried forward	4,089,823	4,927,725	2.71	3.24
	<u>7,077,135</u>	<u>7,692,781</u>	<u>4.69</u>	<u>5.06</u>
13 Trade and other payables				
Trade payables	16,540,204	23,292,601	10.97	15.33
Amount due to related party (refer note 16)	158,242	91,354	0.10	0.06
Accruals	1,899,305	2,636,163	1.26	1.74
Audit fee provision	366,080	506,404	0.24	0.33
Bonus provision	1,834,833	1,005,107	1.22	0.66
Leave pay provision	672,118	583,407	0.45	0.38
Other payables	255,425	235,120	0.17	0.15
	<u>21,726,207</u>	<u>28,350,156</u>	<u>14.41</u>	<u>18.66</u>
14 Borrowings				
Related party (refer note 16)				
Non-current portion	55,688,008	55,746,678	36.94	36.69
Current portion	22,492,444	20,355,507	14.92	13.40
	<u>78,180,452</u>	<u>76,102,185</u>	<u>51.86</u>	<u>50.09</u>
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 Offered Rate plus 7%. The current portion of the loan is repayable within 12 months and bears interest at a rate of 9% (2011: 10.5%).				
Maturity of borrowings				
Due within 1 year	22,492,444	20,355,507	14.92	13.40
Due within 2 - 5 years	55,688,008	55,746,678	36.94	36.69
	<u>78,180,452</u>	<u>76,102,185</u>	<u>51.86</u>	<u>50.09</u>

MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
15 Cash flow from operating activities				
Operating profit	7,592,080	4,073,788	5.04	2.68
Adjusted for:				
Non-cash items				
Depreciation	1,114,763	1,236,521	0.74	0.81
Property, plant and equipment write off	–	26,014	–	0.02
Profit on disposal of property, plant and equipment	(79,640)	(113,740)	(0.05)	(0.07)
Loss on disposal of intangible asset	367,565	–	0.24	–
Operating profit before working capital changes:				
Decrease/(increase) in trade and other receivables	1,629,828	(6,542,252)	1.08	(4.31)
Decrease/(increase) in inventories	512,375	(5,828,542)	0.34	(3.84)
(Decrease)/increase in trade and other payables	(6,623,950)	9,043,087	(4.39)	5.95
	<u>4,513,021</u>	<u>1,894,876</u>	<u>2.99</u>	<u>1.25</u>
16 Related party transactions				
Transactions with related parties:				
The following transactions were carried out by the company with related parties:				
Finance costs (refer note 4.2):				
Marico South Africa Consumer Care Proprietary Limited	<u>5,825,715</u>	<u>5,634,865</u>	<u>3.86</u>	<u>3.71</u>
Directors' emoluments (refer note 2)	<u>2,589,324</u>	<u>5,030,785</u>	<u>1.72</u>	<u>3.31</u>
Amounts due to related parties				
Amounts due to holding company (refer note 14):				
Marico South Africa Consumer Care Proprietary Limited	<u>78,180,452</u>	<u>76,102,185</u>	<u>51.86</u>	<u>50.09</u>
Included in trade payables (refer note 13):				
Marico Limited	<u>158,242</u>	<u>91,354</u>	<u>0.10</u>	<u>0.06</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

	2012 R	2011 R	2012 Rs.Crore	2011 Rs.Crore
17 Commitments				
Operating lease commitments				
The future minimum lease payments receivable under non-cancellable operating leases are as follows:				
Within 1 year	1,769,054	1,512,441	1.17	1.00
Between 2 and 5 years	5,971,197	7,013,330	3.96	4.62
Over 5 years	–	–	–	–
	<u>7,740,251</u>	<u>8,525,771</u>	<u>5.13</u>	<u>5.61</u>
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.				
18 Financial risk management				
The company's financial instruments consist primarily of deposits with banks, trade accounts receivable and payable and loans to and from the holding company. Financial instruments are carried at fair value or amounts that approximate fair value.				
Financial assets				
Loans and receivables:				
Assets as per the statement of financial position				
Trade and other receivables	23,109,432	24,739,259	15.33	16.28
Cash and cash equivalents	4,766,188	3,671,613	3.16	2.42
	<u>27,875,620</u>	<u>28,410,872</u>	<u>18.49</u>	<u>18.70</u>
Financial liabilities				
Financial liabilities at amortised cost:				
Liabilities as per the statement of financial position				
Interest bearing liabilities	78,180,452	76,102,185	51.86	50.09
Trade and other payables	19,219,256	26,761,642	12.75	17.61
	<u>97,399,708</u>	<u>102,863,827</u>	<u>64.61</u>	<u>67.70</u>

MARICO MALAYSIA SDN. BHD.

Board of Directors

Chin Chee Kee, JP

Poh Shiow Mei

Harshraj Charandas Mariwala

Vijay Subramaniam

Registered Office

Ground Floor, Lot 7, Block F,
Saguking Commercial Building,
Jalan Patau 87000,
Labuan F.T. Malaysia

Auditors

Sundar & Associates

Bankers

HSBC Sdn. Bhd.

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements for the financial year ended 31 March 2012.

Principal activities

The principal activity of the Company is as distributor of perfumery, cosmetics, toiletries and related beauty products. There has been no significant change in the nature of this activity during the year.

Financial results

	RM
Loss after taxation	1,223,141/–

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year.

Issue of shares and debentures

The Company has not issued any shares or debentures during the financial year.

Directorate

The directors in office since the date of last report are:–

DATUK CHIN CHEE KEE, JP

HARSHRAJ CHARANDAS MARIWALA

POH SHIOW MEI (F)

VIJAY SUBRAMANIAM

Particulars of interest in shares of the Company by the directors who held office at the end of the financial year are as follows:

	(Ordinary shares of RM 1/– each)			As at 31/03/2012
	As at 01/04/2011	Bought	Sold	
Company				
DATUK CHIN CHEE KEE, JP	–	–	–	–
HARSHRAJ CHARANDAS MARIWALA	–	–	–	–
POH SHIOW MEI (F)	–	–	–	–
VIJAY SUBRAMANIAM	–	–	–	–
	(Ordinary shares of INR 1/– each)			As at 31/03/2012
	As at 01/04/2011	Bought	Sold	
Marico Limited				
HARSHRAJ CHARANDAS MARIWALA	23,254,600	–	–	23,254,600

The Director retiring by rotation is Datuk Chin Chee Kee, JP who being eligible, offer himself for re–election.

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company 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.

MARICO MALAYSIA SDN. BHD.

Since the end of the previous financial period, 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.

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 year which secures the liabilities of any other person.
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (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 year 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 year 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 year 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 year.

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 13 April 2012.

DATUK CHIN CHEE KEE, JP
Director

POH SHIOW MEI(F)
Director

STATEMENT BY DIRECTORS

Pursuant to Section 169 (15) of the Companies Act, 1965

We, **Datuk Chin Chee Kee, JP** and **Poh Shioh Mei (F)**, being two of 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 2012 and of the results and the cash flows of the Company for the year then ended.

DATUK CHIN CHEE KEE, JP
Director

Petaling Jaya

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 13 April 2012

POH SHIOH MEI (F)
Before me,

AUDITORS' REPORT

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 2012, and the income statement, statements of changes in equity and cash flow statements for the year 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 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 control 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 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 2012 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 SUNDARASAN A/L ARUMU

AF No: 1127

Chartered Accountants (M)

SUNDARASAN A/L ARUMUGAM

1876/02/14(J/PH)

Chartered Accountant (M)

Petaling Jaya

Date : 13 April 2012

MARICO MALAYSIA SDN. BHD.

BALANCE SHEET

	Notes	As at March 31 ,			
		2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Non-current assets					
Plant and equipment	8	380,342	124,027	0.63	0.18
Intangible asset	9	16,382,300	16,235,500	27.22	23.94
		<u>16,762,642</u>	<u>16,359,527</u>	<u>27.85</u>	<u>24.12</u>
Current assets					
Inventories	3 (iv)/10	213,391	113,282	0.35	0.17
Trade receivables		5,564,910	2,340,620	9.25	3.45
Other receivables and deposits	11	208,070	482,730	0.35	0.71
Cash and bank balances		1,113,709	695,582	1.85	1.03
		<u>7,100,080</u>	<u>3,632,214</u>	<u>11.80</u>	<u>5.36</u>
Current liabilities					
Trade payables		1,506,598	1,050,800	2.50	1.55
Bills payable	12	922,359	–	1.53	–
Other payables and accrued liabilities	13	4,182,843	1,271,449	6.95	1.88
Amount due to holding company	14	1,262,957	302,569	2.10	0.45
Amount due to related company	14	–	175,218	–	0.26
Short-term borrowings	15	1,532,250	1,512,849	2.55	2.23
		<u>9,407,007</u>	<u>4,312,885</u>	<u>15.63</u>	<u>6.37</u>
Net current liabilities					
		<u>(2,306,927)</u>	<u>(680,671)</u>	<u>(3.83)</u>	<u>(1.01)</u>
		<u>14,455,715</u>	<u>15,678,856</u>	<u>24.03</u>	<u>23.12</u>
Financed by :					
Share capital	16	17,660,240	17,660,240	29.35	26.04
Accumulated loss		<u>(3,204,525)</u>	<u>(1,981,384)</u>	<u>(5.32)</u>	<u>(2.92)</u>
		<u>14,455,715</u>	<u>15,678,856</u>	<u>24.03</u>	<u>23.12</u>

Note - The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)

“The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them.”

MARICO MALAYSIA SDN. BHD.

INCOME STATEMENT

(with comparatives for the period from the date of incorporation 04/12/2009 to 31/03/2011)

	Notes	Year ended March 31,			
		2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Revenue	3(ii)	13,216,878	11,325,319	21.96	16.70
Cost of sales		(7,705,743)	(6,520,039)	(12.80)	(9.62)
Gross profit		<u>5,511,135</u>	<u>4,805,280</u>	<u>9.16</u>	<u>7.08</u>
Other income		18,138	130,955	0.03	0.19
Staff costs	5	(1,018,033)	(468,350)	(1.69)	(0.69)
Depreciation		(105,072)	(17,983)	(0.17)	(0.03)
Other operating expenses		(5,530,018)	(6,407,549)	(9.19)	(9.45)
Operating loss		<u>(1,123,850)</u>	<u>(1,957,647)</u>	<u>(1.86)</u>	<u>(2.90)</u>
Finance cost		(99,291)	(23,737)	(0.16)	(0.04)
Loss before taxation	6	<u>(1,223,141)</u>	<u>(1,981,384)</u>	<u>(2.02)</u>	<u>(2.94)</u>
Taxation	7	-	-	-	-
Loss after taxation		<u><u>(1,223,141)</u></u>	<u><u>(1,981,384)</u></u>	<u><u>(2.02)</u></u>	<u><u>(2.94)</u></u>

Note - The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)

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STATEMENT OF CHANGES IN EQUITY

(with comparatives for the period from the date of incorporation 04/12/2009 to 31/03/2011)

	Share Capital RM	Year ended March 31, 2012	
		(Accumulated) losses RM	Total RM
Balance as at 01 April 2011	17,660,240	(1,981,384)	15,678,856
Loss after taxation	–	(1,223,141)	(1,223,141)
Balance as at 31 March 2012	<u>17,660,240</u>	<u>(3,204,525)</u>	<u>14,455,715</u>
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 Rs.Crore	(Accumulated) losses Rs.Crore	Total Rs.Crore
Balance as at 01 April 2011	29.35	(3.29)	26.05
Loss after taxation	–	(2.03)	(2.03)
Balance as at 31 March 2012	<u>29.35</u>	<u>(5.32)</u>	<u>24.02</u>
On incorporation – subscribers' shares	–	–	–
Issue of shares	29.35	–	29.35
Loss after taxation	–	(3.29)	(3.29)
Balance as at 31 March 2011	<u>29.35</u>	<u>(3.29)</u>	<u>26.06</u>

Note - The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)

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CASH FLOW STATEMENT

(with comparatives for the period from the date of incorporation 04/12/2009 to 31/03/2011)

	Year ended March 31,			
	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Cash flows from operating activities				
Loss before taxation	(1,223,141)	(1,981,384)	(2.03)	(2.92)
Adjustments for:				
Gain on foreign exchange – unrealised	17,612	41,516	0.03	0.06
Depreciation on plant and equipment	105,072	17,983	0.17	0.03
Loan interest	99,291	23,737	0.16	0.04
Operating loss before working capital changes	<u>(1,001,166)</u>	<u>(1,898,148)</u>	<u>(1.67)</u>	<u>(2.79)</u>
Working capital :				
Inventories	(100,109)	(113,282)	(0.17)	(0.17)
Trade receivables	(3,224,290)	(2,340,620)	(5.36)	(3.45)
Other receivables and deposits	274,660	(482,730)	0.46	(0.71)
Trade payables	405,112	1,045,363	0.67	1.54
Bills payable	922,359	–	1.53	–
Other payables and accrued liabilities	2,911,394	1,271,449	4.84	1.88
Amount due to related company	(142,144)	139,139	(0.24)	0.21
Amount due to holding company	960,388	302,569	1.60	0.45
Cash generated from/ (absorbed by) operations	<u>1,006,204</u>	<u>(2,076,260)</u>	<u>1.66</u>	<u>(3.04)</u>
Loan interest	(99,291)	(23,737)	(0.16)	(0.04)
Net cash flows from operating activities	<u>906,913</u>	<u>(2,099,997)</u>	<u>1.50</u>	<u>(3.08)</u>
Cash flow from investing activity				
Purchase of plant and equipment	(508,187)	(16,377,510)	(0.84)	(24.15)
Net cash flow from investing activity	<u>(508,187)</u>	<u>(16,377,510)</u>	<u>(0.84)</u>	<u>(24.15)</u>
Cash flows from financing activities				
Issue of shares during the period	–	17,660,240	–	26.04
Short-term borrowings	19,401	1,512,849	0.03	2.23
Net cash flow from financing activities	<u>19,401</u>	<u>19,173,089</u>	<u>0.03</u>	<u>28.27</u>
Net increase in cash and cash equivalents	418,127	695,582	0.69	1.04
Cash and cash equivalents brought forward	695,582	–	1.04	–
Cash and cash equivalents carried forward	<u>1,113,709</u>	<u>695,582</u>	<u>1.73</u>	<u>1.04</u>
Breakdown of cash and cash equivalents carried forward				
Cash and bank balances	<u>1,113,709</u>	<u>695,582</u>	<u>1.85</u>	<u>1.03</u>

Note - The exchange rate used to convert MYR to Rs. <16.617> / <MYR> (Rs. <14.747> / <MYR>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 13 April, 2012

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%
Moulds	20%
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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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:

	2012 RM	2011 RM
United States Dollar	3.0645	3.025
Singapore Dollar	2.441	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 principal activity of the Company is as distributor of perfumery, cosmetics, toiletries and related beauty products.

5. Staff cost

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Salaries, bonuses and allowance	1,012,605	468,350	1.68	0.04
Contribution to defined contribution plan	4,860	–	0.01	–
Other employees benefits	568	–	–	–
	<u>1,018,033</u>	<u>468,350</u>	<u>1.69</u>	<u>0.78</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. Loss before taxation

Loss before taxation is stated after charging:–

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Loan interest	99,291	23,737	0.16	0.04
Provision of closure costs	77,000	–	0.13	–
Loss on foreign exchange – realised	61,670	5,092	0.10	0.01
Rental of office	51,780	50,400	0.09	0.08
Auditors' remuneration	8,000	5,000	0.01	0.01
and crediting :–				
Gain on foreign exchange – unrealised	17,612	41,516	0.03	0.07
Interest income	526	–	–	–
Gain on foreign exchange – realised	–	89,439	–	0.15

7. Taxation

Tax charge for the year is as follows:

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Transferred to deferred taxation (note 16)				
– Deferred tax liabilities	2,488,760	823,735	4.14	1.37
– Deferred tax assets	<u>(2,488,760)</u>	<u>(823,735)</u>	<u>(4.14)</u>	<u>(1.37)</u>

A reconciliation of 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:

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Loss before taxation	<u>(1,223,141)</u>	<u>(1,981,384)</u>	<u>(2.03)</u>	<u>(3.29)</u>
Tax at Malaysian statutory tax rate of 25%	(305,785)	(495,346)	(0.51)	(0.82)
Expenses not deductible for tax purposes	28,401	8,721	0.05	0.01
Non taxable income	(4,403)	(10,379)	(0.01)	(0.02)
Double deduction	(9,764)	–	(0.02)	–
Deferred tax assets not recognised	91,680	399,585	0.15	0.66
Proportion of loss in respect of overlapping year	199,871	97,419	0.33	0.16
Tax expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Subject to agreement of the Inland Revenue Board, the Company has the following available for set-off against future taxable income.

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Unutilised tax losses	10,078,096	1,580,356	16.75	2.63
Unutilised capital allowances	3,029,242	3,312,925	5.03	5.51
	<u>13,107,338</u>	<u>4,893,281</u>	<u>21.78</u>	<u>8.13</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

8. Plant and equipment

Cost	Furniture and fittings	Computer	Office equipment	Motor vehicles	Moulds	Total
	RM	RM	RM	RM	RM	RM
On incorporation	3,768	3,790	43,200	91,252	–	142,010
Addition	–	8,338	–	–	353,049	361,387
Disposal	–	–	–	–	–	–
Balance carried forward	<u>3,768</u>	<u>12,128</u>	<u>43,200</u>	<u>91,252</u>	<u>353,049</u>	<u>503,397</u>
Accumulated depreciation						
On incorporation	628	631	8,400	8,324	–	17,983
Current charge	1,256	3,493	14,400	15,313	70,610	105,072
Depreciation on disposal	–	–	–	–	–	–
Balance carried forward	<u>1,884</u>	<u>4,124</u>	<u>22,800</u>	<u>23,637</u>	<u>70,610</u>	<u>123,055</u>
Net book value						
2012	<u>1,884</u>	<u>8,004</u>	<u>20,400</u>	<u>67,615</u>	<u>282,439</u>	<u>380,342</u>
2011	<u>3,140</u>	<u>3,159</u>	<u>34,800</u>	<u>82,928</u>	<u>–</u>	<u>124,027</u>
Cost	Furniture and fittings	Computer	Office equipment	Motor vehicles	Moulds	Total
	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore
On incorporation	0.01	0.01	0.07	0.15	–	0.24
Addition	–	0.01	–	–	0.59	0.60
Disposal	–	–	–	–	–	–
Balance carried forward	<u>0.01</u>	<u>0.02</u>	<u>0.07</u>	<u>0.15</u>	<u>0.59</u>	<u>0.84</u>
Accumulated depreciation						
On incorporation	–	–	0.01	0.01	–	0.02
Current charge	–	0.01	0.02	0.03	0.12	0.18
Depreciation on disposal	–	–	–	–	–	–
Balance carried forward	<u>–</u>	<u>0.01</u>	<u>0.03</u>	<u>0.04</u>	<u>0.12</u>	<u>0.20</u>
Net book value						
2012	<u>–</u>	<u>0.01</u>	<u>0.03</u>	<u>0.11</u>	<u>0.47</u>	<u>0.62</u>
2011	<u>0.01</u>	<u>0.01</u>	<u>0.06</u>	<u>0.14</u>	<u>–</u>	<u>0.22</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

9. Intangible assets

	Trademark		Trademark	
	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Cost				
Balance brought forward / on incorporation	16,235,500	–	26.98	–
Acquisition	146,800	16,235,500	0.24	26.98
At 31 March	16,382,300	16,235,500	27.22	26.98

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.

10. Inventories

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
At costs :				
Consumables	–	15,457	–	0.03
Trading merchandise	213,391	97,825	0.35	0.16
	<u>213,391</u>	<u>113,282</u>	<u>0.35</u>	<u>0.19</u>

11. Other receivables and deposits

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Other receivables	–	289,660	–	0.48
Deposits	208,070	193,070	0.35	0.32
	<u>208,070</u>	<u>482,730</u>	<u>0.35</u>	<u>0.80</u>

12. Credit facility

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
The credit facility consists of the following :				
Trade bills	1,500,000	–	2.49	–

The facility is secured as follows :

- i) Standby letter of credit for up to USD 550,000 or other currency equivalent thereof from HSBC India Ltd.
- ii) Trade Financing General Agreement from the Company.

The interest rate charged on the facility during the year is 1.25% over the bank’s prescribed base lending rate.

13. Other payables and accrued liabilities

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Other payables	129,601	53,916	0.22	0.09
Accrued expenses	4,053,242	1,217,533	6.74	2.02
	<u>4,182,843</u>	<u>1,271,449</u>	<u>6.95</u>	<u>2.11</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14. 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.

15. 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. The repayment of the loan has been extended for a further period of 3 months.

16. Share capital

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Authorised :				
24,000,000 Ordinary shares of RM 1/- each	24,000,000	24,000,000	39.88	39.88
1,000,000 Redeemable Preference shares of RM 1/- each	1,000,000	1,000,000	1.66	1.66
	<u>25,000,000</u>	<u>25,000,000</u>	<u>41.54</u>	<u>41.54</u>
Issued and fully paid:				
Ordinary shares of RM1/- each				
At beginning of year / subscriber's shares	17,660,240	2	29.35	-
Issue of shares	-	17,660,238	-	29.35
At year /period end	17,660,240	17,660,240	29.35	29.35

17. Deferred tax assets

	Plant and equipment		Plant and equipment	
	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
At 1 April /on incorporation	-	-	-	-
Recognised in income statement				
- Deferred tax liabilities	2,488,760	823,735	4.14	1.37
- Deferred tax assets	(2,488,760)	(823,735)	(4.14)	(1.37)
At 31March	-	-	-	-
No deferred tax asset is recognised for the following items:				
Unabsorbed tax capital allowances	123,055	17,984	0.02	0.03
Unutilised tax losses	3,029,242	1,580,356	5.03	2.63
	<u>3,152,297</u>	<u>1,598,340</u>	<u>5.24</u>	<u>2.66</u>

18. Employees

	2012	2011
Number of employees at the end of the financial period	3	2

19. Capital commitments

	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Approved and contracted for	-	91,079	-	0.15

INCOME STATEMENTS

(with comparatives for the period from the date of incorporation 04/12/2009 to 31/03/2011)

	Notes	Year ended March 31,			
		2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Revenue	Q1	13,216,878	11,325,319	21.96	16.70
Less: Cost of sales					
Inventories – at beginning of the year		97,825	–	0.16	–
Purchases	Q2	7,274,440	6,533,771	12.09	9.64
Freight charges	Q2	517,812	65,638	0.86	0.10
Warehouse charges	Q2	29,057	18,455	0.05	0.03
Inventories – at end of the year / period		(213,391)	(97,825)	(0.35)	(0.14)
		<u>7,705,743</u>	<u>6,520,039</u>	<u>12.81</u>	<u>9.63</u>
Gross profit		5,511,135	4,805,280	9.15	7.07
Other income :					
Interest income	Q8	526	–	0.01	–
Gain on foreign exchange – realised		–	89,439	–	0.13
Gain on foreign exchange – unrealised	Q10	17,612	41,516	0.03	0.06
		<u>18,138</u>	<u>130,955</u>	<u>0.03</u>	<u>0.19</u>
Staff costs	Appendix I	(1,018,033)	(468,350)	(1.69)	(0.69)
Depreciation	Appendix I	(105,072)	(17,983)	(0.18)	(0.02)
Other operating expenses	Appendix II	(5,530,018)	(6,407,549)	(9.19)	(9.44)
Operating loss		<u>(1,123,850)</u>	<u>(1,957,647)</u>	<u>(1.88)</u>	<u>(2.89)</u>
Finance cost	Appendix II	(99,291)	(23,737)	(0.16)	(0.04)
Loss for the period		<u>(1,223,141)</u>	<u>(1,981,384)</u>	<u>(2.04)</u>	<u>(2.93)</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.

Appendix I

	Notes	Year ended March 31,			
		2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Staff costs					
Salary and wages		662,480	409,996	1.10	0.60
Bonus		350,125	58,354	0.58	0.09
EPF – staff		4,860	–	0.01	–
SOSCO– staff		568	–	0.01	–
		<u>1,018,033</u>	<u>468,350</u>	<u>1.69</u>	<u>0.69</u>

INCOME STATEMENTS

(with comparatives for the period from the date of incorporation 04/12/2009 to 31/03/2011)

	Notes	2012 RM	2011 RM	2012 Rs.Crore	2011 Rs.Crore
Depreciation					
Moulds		70,610	–	0.12	–
Motor vehicles		15,313	8,324	0.03	0.01
Office equipment		14,400	8,400	0.02	0.01
Computer		3,493	631	0.01	–
Furniture and fittings		1,256	628	–	–
	H1	<u>105,072</u>	<u>17,983</u>	<u>0.18</u>	<u>0.02</u>
Other operating expenses					
Advertisement	Q4	4,237,415	5,018,124	7.04	7.40
Visibility windows display	Q3/2	740,667	657,172	1.23	0.97
Travelling expenses		165,866	262,617	0.28	0.39
Professional charges	Q5	97,061	77,777	0.16	0.11
Provision for closure	Q8	77,000	–	–	0.13
Freight charges		–	226,682	–	0.33
Rental of office	Q4	51,780	50,400	0.09	0.07
Loss on foreign exchange – realised	Q10	61,670	5,092	0.10	0.01
Telephone, fax and internet	Q7	40,598	13,996	0.07	0.02
Miscellaneous expenses	Q6	17,847	22,554	0.03	0.03
Bank charges	Q9/1	11,970	822	0.02	–
Road tax and insurance	Q4	8,646	2,645	0.01	–
Auditors' remuneration		8,000	5,000	0.01	0.01
Postage and courier		6,433	16,003	0.01	0.02
Tax fee		3,500	3,500	0.01	0.01
Printing and stationery		861	986	–	–
Sampling expenses	Q3/3	405	18,426	–	0.03
Donation	Q4	299	1,308	–	–
		<u>5,530,018</u>	<u>6,383,104</u>	<u>9.19</u>	<u>9.40</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.

INCOME STATEMENTS

(with comparatives for the period from the date of incorporation 04/12/2009 to 31/03/2011)

Appendix II

	2012	2011	2012	2011
	RM	RM	Rs.Crore	Rs.Crore
Other operating expenses				
Balance brought forward	5,530,018	6,383,104	9.19	9.41
Repair and maintenance	–	19,545	–	0.03
Book and periodical	–	2,379	–	0.01
Samples	–	1,816	–	0.21
Upkeep of office	–	705	–	0.01
	<u>5,530,018</u>	<u>6,407,549</u>	<u>9.19</u>	<u>9.44</u>
Finance cost				
Loan interest	99,291	23,737	0.16	0.04
	<u>99,291</u>	<u>23,737</u>	<u>0.16</u>	<u>0.04</u>

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 Park, Di An District,
Binh Duong Province,
Ho Chi Minh City, Vietnam

Auditors

Ernst & Young Vietnam Ltd.

Bankers

Vietcom Bank (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, 2011 and for the year then ended.

THE COMPANY

The 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 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
462035000802 – 1st amendment	29 September 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 Lot 3, 5th Street, Song Than 1 Industrial Park, Di AN District, Binh Duong Province, Vietnam.

SIGNIFICANT EVENTS

On 7 January 2011, the Company’s shareholders decided 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 sale shares took place on 27 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.

THE BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

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 January 2011
Mr. Milind S. Sarwate	Member	appointed on 11 February 2011
Mr. Chaitanya J. Deshpande	Member	appointed on 11 February 2011
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

MANAGEMENT

REPORT OF THE BOARD OF MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr. Phan Quoc Cong	General Director
Mr. Le Quang Hanh	Deputy General Director
Mr. Nguyen Ngoc Anh Tuan	Deputy General Director
Mr. Vu Hoang Quoc Tuan	Deputy General Director
Mr. Pham Hoang Ngan	Deputy General Director
Mr. Phung Ngoc Trang	Deputy General Director

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Chaitanya Jaikrishna Deshpande.

AUDITORS

The auditors of the Company is Ernst & Young Vietnam Limited.

Management of International Consumer Products ("the Company") is pleased to present its report and the separate financial

REPORT OF THE BOARD OF MANAGEMENT

statements of the Company for the year ended 31 December 2011.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

The 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 separate financial statements; and
- prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its 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 confirmed that it has complied with the above requirements in preparing the accompanying separate financial statements for the year ended 31 December 2011.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2011 and of the separate results of its operations and its separate 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 ("the Group") as at and for the year ended 31 December 2011 in order to obtain full information on the financial position, results of operations and cash flows of the Group as a whole.

For and on behalf of management

Mr. Phan Quoc Cong
General Director

6 March 2012

INDEPENDENT AUDITORS' REPORT

To, The Shareholders of International Consumer Products Corporation.

We have audited the separate financial statements of International Consumer Products Corporation ("the Company") as set out on pages 5 to 31 which comprise the separate balance sheet as at 31 December 2011, the separate income statement and the separate cash flow statement for the year then ended and the notes thereto.

The preparation and presentation of 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 Standards on Auditing. 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 2011, and of the separate results of its operations and its 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 of the separate financial statements, which states that the Company is a parent company with subsidiaries and it is in the process of completing the consolidated financial statements of the Company and its subsidiaries (collectively referred to as "the Group") as at 31 December 2011 and for the year then ended to meet the prevailing regulatory reporting requirements. Users of these separate financial statements should read them together with the consolidated financial statements of the Group as at 31 December 2011 and for the year then ended in order to obtain full information on the financial position, results of operations and cash flows of the Group as a whole.

Earnest & Young Vietnam Limited

Duong Le Anthony

Deputy General Director

Certificate No. N. 2223/KTV

Ho Chi Minh City, Vietnam

6 March 2012

Le Quang Minh

Auditor

Certificate No. 0426/KTV

INTERNATIONAL CONSUMER PRODUCTS CORPORATION

BALANCE SHEET AS AT 31 DECEMBER 2011

		VND		(Rs. Crore)	
ASSETS	Notes	Ending balance	Beginning balance	Ending balance	Beginning balance
A. CURRENT ASSETS		180,924,095,964	130,227,626,560	45.64	29.86
I. Cash and cash equivalents	4	50,353,360,852	38,241,076,815	12.70	8.77
1. Cash		19,353,360,852	22,503,076,815	4.88	5.16
2. Cash equivalents		31,000,000,000	15,738,000,000	7.82	3.61
II. Short-term investment		10,000,000,000	–	2.52	–
1. Short-term investment	5	10,000,000,000	–	2.52	–
III. Current accounts receivable		50,402,315,038	32,565,943,746	12.71	7.47
1. Trade receivables		20,927,965,578	14,410,016,918	5.28	3.30
2. Advances to suppliers	6	25,768,449,151	18,092,868,639	6.50	4.15
3. Other receivables	7	3,705,900,309	63,058,189	0.93	0.01
IV. Inventories	8	68,575,340,964	58,312,143,306	17.30	13.37
1. Inventories		70,146,746,720	58,472,250,203	17.70	13.41
2. Provision for obsolete inventories		(1,571,405,756)	(160,106,897)	(0.40)	(0.04)
V. Other current assets		1,593,079,110	1,108,462,693	0.40	0.25
1. Short-term prepaid expenses		305,421,609	562,886,492	0.08	0.13
2. Tax and other receivables from the State		100,141,901	–	0.03	–
3. Other current assets		1,187,515,600	545,576,201	0.30	0.13
B. NON-CURRENT ASSETS		159,569,706,314	145,543,112,111	40.25	33.37
I. Fixed assets		14,384,942,261	29,497,082,291	3.63	6.76
1. Tangible fixed assets	9	12,189,999,980	12,739,187,112	3.08	2.92
Cost		32,002,356,896	28,148,014,887	8.07	6.45
Accumulated depreciation		(19,812,356,916)	(15,408,827,775)	(5.00)	(3.53)
2. Intangible fixed assets	10	2,194,942,281	4,782,691,315	0.55	1.10
Cost		10,528,721,363	10,528,721,363	2.66	2.41
Accumulated amortization		(8,333,779,082)	(5,746,030,048)	(2.10)	(1.32)
3. Construction in progress		–	11,975,203,864	–	2.75
II. Investment property	11	23,843,388,652	–	6.01	–
1. Cost		23,843,388,652	–	6.01	–
III. Long-term investment		113,743,051,308	108,754,186,308	28.69	24.94
1. Investments in subsidiaries	12	113,743,051,308	108,754,186,308	28.69	24.94
IV. Other long-term assets		7,598,324,093	7,291,843,512	1.92	1.67
1. Long-term prepaid expenses	13	5,101,995,663	7,291,843,512	1.29	1.67
2. Deferred tax assets	21.2	978,067,018	–	0.25	–
3. Long-term current assets		1,518,261,412	2	0.38	–
TOTAL ASSETS		340,493,802,278	275,770,738,671	85.90	63.23

Tran Le Kim Loan
Chief Accountant

Phan Quoc Cong
Chief Executive Officer

6 March 2012

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

INTERNATIONAL CONSUMER PRODUCTS CORPORATION

**BALANCE SHEET
AS AT 31 DECEMBER 2011**

RESOURCES	Notes	VND		(Rs. Crore)	
		Ending balance	Beginning balance	Ending balance	Beginning balance
A. LIABILITIES		56,079,079,600	38,886,239,305	14.15	8.92
I. Current liabilities		54,735,545,766	37,190,614,093	13.81	8.53
1. Trade payables		29,338,982,324	25,905,092,774	7.40	5.94
2. Advances from customers		696,476,420	547,707,286	0.18	0.13
3. Statutory obligations	14	7,178,602,006	4,775,310,003	1.81	1.09
4. Payable to employees		49,990,730	17,998,518	0.01	–
5. Accrued expenses	15	17,327,357,021	5,676,272,619	4.37	1.30
6. Other payables		144,137,265	268,232,893	0.04	0.06
II. Non-current liabilities		1,343,533,834	1,695,625,212	0.34	0.39
1. Deferred tax liabilities	21.2	–	517,172,410	–	0.12
2. Provision for severance allowance		1,343,533,834	1,178,452,802	0.34	0.27
B. OWNERS' EQUITY	16	284,414,722,678	236,884,499,366	71.75	54.32
I. Capital		284,414,722,678	236,884,499,366	71.75	54.32
1. Share capital	16.2	112,177,600,000	112,177,600,000	28.30	25.72
2. Share premium		112,213,880,000	112,213,880,000	28.31	25.73
3. Other funds belonging to owners' equity		–	123,392,018	–	0.03
4. Undistributed earnings	16.1	60,023,242,678	12,369,627,348	15.14	2.84
TOTAL LIABILITIES AND OWNERS' EQUITY		340,493,802,278	275,770,738,671	85.90	63.23

OFF BALANCE SHEET ITEMS

ITEMS	Notes	Ending balance	Beginning balance	Ending balance	Beginning balance
Foreign Currency (US\$)		4,542.81	244.38	–	–
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

6 March 2012

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INTERNATIONAL CONSUMER PRODUCTS CORPORATION

SEPARATE INCOME STATEMENT

For the year ended 31 December 2011

	Notes	VND		Rs. in Crore	
		Current year	Previous year	Current year	Previous year
Revenue from sale of goods	17	593,413,258,318	390,870,483,411	149.70	89.63
Deductions	17	(43,091,599,645)	(10,855,949,049)	(10.87)	(2.49)
Net revenue from sale of goods	17	550,321,658,673	380,014,534,362	138.83	87.14
Cost of goods sold	20	(286,039,336,393)	(196,813,795,260)	(72.16)	(45.13)
Gross profit from sale of goods		264,282,322,280	183,200,739,102	66.67	42.01
Finance income	18	2,508,892,157	637,220,588	0.63	0.15
Finance expenses	19	(809,707,922)	(408,745,146)	(0.20)	(0.09)
– In which: Interest expenses		(69,093,274)	(140,520,555)	(0.02)	(0.03)
Selling expenses	20	(174,514,523,264)	(132,101,309,870)	(44.02)	(30.29)
General and administrative expenses	20	(38,010,391,997)	(33,758,988,674)	(9.59)	(7.74)
Operating profit		53,456,591,254	17,568,916,000	13.49	4.03
Other income		298,342,235	380,810,825	0.08	0.09
Other expenses		(172,936,391)	(841,644,991)	(0.04)	(0.19)
Other Profit (loss)		125,405,844	(460,834,166)	0.03	(0.11)
Profit before tax		53,581,997,098	17,108,081,834	13.52	3.92
Current corporate income tax expense	21.1	(7,423,621,196)	(3,210,876,562)	(1.87)	(0.74)
Deferred income tax benefit (expense)	21.2	1,495,239,428	(1,560,457,514)	0.38	(0.36)
Net profit after tax		47,653,615,330	12,336,747,758	12.02	2.83

Tran Le Kim Loan
Chief Accountant

6 March 2012

Phan Quoc Cong
Chief Executive Officer

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CASH FLOW STATEMENT

as at and for the year ended 31 December 2011

ITEMS	Notes	VND		(Rs. Crore)	
		Current year	Previous year	Current year	Previous year
I. CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		53,581,997,098	17,108,081,834	13.52	3.92
Adjustments for:					
Depreciation and amortization	9,10	7,159,082,880	6,939,377,699	1.81	1.59
Provisions		1,411,298,859	(25,117,800)	0.36	(0.01)
Unrealized foreign exchange gains		(18,317,743)	(68,452,327)	–	(0.02)
Gain from investing activities		(2,467,460,283)	(526,650,116)	(0.62)	(0.12)
Interest expense	19	69,093,274	140,520,555	0.02	0.03
Operating profit before changes in working capital		59,735,694,085	23,567,759,845	15.07	5.40
(Increase) decrease in receivables		(17,671,855,659)	22,649,783,023	(4.46)	5.19
Increase in inventories		(11,674,496,517)	(6,888,007,126)	(2.95)	(1.58)
Increase (decrease) in payables		16,393,847,856	(11,377,292,856)	4.14	(2.61)
Decrease (increase) in prepaid expenses		287,111,921	(2,843,116,106)	0.07	(0.65)
Interest paid		(69,093,274)	(140,520,555)	(0.02)	(0.03)
Corporate income tax paid	21.1	(6,108,710,597)	(4,750,228,702)	(1.54)	(1.09)
Other cash outflows from operating activities		(123,392,018)	(8,925,992,007)	(0.03)	(2.05)
Net cash from operating activities		40,769,105,797	11,292,385,516	10.28	2.59
II. CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase and construction of fixed assets		(15,948,907,980)	(5,746,456,358)	(4.02)	(1.32)
Proceeds from disposals of fixed assets		67,513,808	10,784,945	0.02	–
Bank deposit		(10,000,000,000)	–	(2.52)	–
Payments for investments in other entities		(4,988,865,000)	(324,630,000)	(1.26)	(0.07)
Interest and dividends received		2,193,865,419	526,648,579	0.55	0.12
Net cash used in investing activities		(28,676,393,753)	(5,533,652,834)	(7.23)	(1.27)
III. CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution		–	2,177,600,000	–	0.50
Repayment of borrowings		–	(13,600,000,000)	–	(3.12)
Net cash used in financing activities		–	(11,422,400,000)	–	(2.62)
Net increase (decrease) in cash and cash equivalents		12,092,712,044	(5,663,667,318)	3.05	(1.30)
Cash and cash equivalents at beginning of year		38,241,076,815	43,904,744,133	9.65	10.07
Impact of exchange rate fluctuation		19,571,993	–	0.01	–
Cash and cash equivalents at end of year	4	50,353,360,852	38,241,076,815	12.70	8.77

Tran Le Kim Loan
Chief Accountant

Phan Quoc Cong
Chief Executive Officer

6 March 2012

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

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NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

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 Duong Province on 13 Junly 2004 and the following Amended Business Registration Certificates

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
462035000802 - 1st amendment	29 September 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 Lot 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 2011 was 300 (31 December 2010: 392 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 Issucance 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).

Accordingly, 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 in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

The Company is the parent company of the subsidiaries disclosed in Note 10 and it is in the process of completing its consolidated financial statements of the Company and its subsidiaries ("the Group") as at 31 December 2011 and for the year then ended to meet the prevailing regulatory reporting requirements.

Users of these separate financial statements should read them together with the final consolidated financial statements of the Group as at and for the year ended 31 December 2010 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.

2.2 *Applied accounting documentation system*

The Company's applied accounting documentation system is the General Journal.

2.3 *Fiscal year*

The Company's fiscal year applicable for the preparation of its separate financial statements 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 separate financial statements for the year ended 31 December 2010 except for the change in the accounting policy in relation to the following: 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 ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The adoption of Circular 210 results in new disclosures being added to the separate financial statements as shown in Notes 23 and 24.

Circular 210 also requires the Company to evaluate the terms of non-derivative financial instrument issued by the Company to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liabilities, financial assets or equity instruments in the separate balance sheet. This requirement has no impact on the financial position or result of operation of the Company as the Company has not yet issued such non-derivative financial instrument.

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

as at and for the year ended 31 December 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. <i>Provision for obsolete inventories</i>

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.

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:

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

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 the 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 within three years.

3.9 Investment property

Investment properties are stated at cost including transaction costs less accumulated depreciation.

Subsequent expenditure relating to an investment property that has already been recognized is added to the net book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Company.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use.

3.10 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 subsequent 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.

3.11 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

3.12 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 in 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 Group pays unemployment insurance in accordance with Decree No.127/2008/ND-CP dated 12 December 2008.

3.13 Foreign currency transactions

The Company follows the guidance under Vietnamese Accounting Standard No.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 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	Accounting treatment under	
	VAS 10	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 2011 was not material as a whole.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

3.14 Appropriation of net profits

Net profit after tax is available for appropriation to investors after approval by the shareholders' meeting.

3.15 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, 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.

3.16 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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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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 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.

3.17 Financial instruments

Financial instruments – initial recognition and presentation

Financial assets

Financial assets within the scope of Circular 210 are classified, for disclosures in the notes to the separate financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables.

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the separate financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Financial instruments – subsequent measurement

No subsequent measure of financial instruments is currently required.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the separate balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. CASH AND CASH EQUIVALENTS

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Cash on hand	246,062,581	87,389,821	0.06	0.02
Cash at banks	19,107,298,271	22,415,686,994	4.82	5.14
Cash equivalents	31,000,000,000	15,738,000,000	7.82	3.61
TOTAL	50,353,360,852	38,241,076,815	12.70	8.77

Cash equivalents mainly represent short-term bank deposits with maturity of less than 3 months which are readily convertible into known amounts of cash without any significant risk of change in value, and earn an interest rate at 14% per annum.

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as at and for the year ended 31 December 2011

5. SHORT-TERM INVESTMENT

Short-term investment represents the bank deposits with maturity of over 3 months from the deposit date and earns an interest at 14% per annum.

6. ADVANCE TO SUPPLIERS

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Advance to a related party (Note 22)	22,349,011,145	12,190,132,807	5.64	2.80
Advance to third parties	3,419,438,006	5,902,735,832	0.86	1.35
TOTAL	25,768,449,151	18,092,868,639	6.50	4.15

7. OTHER RECEIVABLES

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Other receivables from a related party (Note 22)	3,000,000,000	7,325,245	0.76	–
Others	705,900,309	55,732,944	0.18	0.01
TOTAL	3,705,900,309	63,058,189	0.94	0.01

8. INVENTORIES

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Goods in transit	–	5,131,527,114	–	1.18
Raw materials	18,995,435,581	17,531,980,807	4.79	4.02
Tools and supplies	13,347,572,419	9,473,179,315	3.37	2.17
Work in process	801,459,918	993,687,373	0.20	0.23
Finished goods	28,845,524,963	15,292,492,475	7.28	3.51
Merchandise goods	8,156,753,839	10,049,383,119	2.06	2.30
TOTAL	70,146,746,720	58,472,250,203	17.70	13.41
Provision for obsolete inventories	(1,571,405,756)	(160,106,897)	(0.40)	(0.04)
NET	68,575,340,964	58,312,143,306	17.30	13.37

The Company has pledged some inventories equivalent to US\$ 1,000,000 to guarantee for long-term loans of Thuan Phat Foodstuff Joint Stock Company – its subsidiary obtained from HSBC Bank (Vietnam) Limited.

Detail of movements of provision for obsolete inventories

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Provision for obsolete inventories at the beginning of the year	(160,106,897)	(160,106,897)	(0.04)	(0.04)
Add: Provision created during the year	(1,411,298,859)	–	(0.36)	–
Provision for obsolete inventories at the end of the year	(1,571,405,756)	(160,106,897)	(0.40)	(0.04)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

9. Tangible fixed assets

	VND				
	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	4,835,166,682	17,826,557,586	3,378,524,601	2,107,766,018	28,148,014,887
Newly purchased	–	691,260,576	–	779,886,025	1,471,146,601
Transferred from construction in progress	–	2,609,576,591	–	–	2,609,576,591
Sold, disposed	–	–	–	(226,381,183)	(226,381,183)
Ending balance	4,835,166,682	21,127,394,753	3,378,524,601	2,661,270,860	32,002,356,896
In which:					
Fully depreciated	–	5,841,165,703	16,730,476	428,406,431	6,286,302,610
Accumulated depreciation					
Beginning balance	(1,125,436,850)	(11,386,108,165)	(1,728,700,743)	(1,168,582,017)	(15,408,827,775)
Depreciation for the year	(218,268,539)	(3,096,768,599)	(658,553,548)	(597,743,160)	(4,571,333,846)
Sold, disposed	–	–	–	167,804,705	167,804,705
Ending balance	(1,343,705,396)	(14,482,876,764)	(2,387,254,284)	(1,598,520,472)	(19,812,356,916)
Net carrying amount					
Beginning balance	3,709,729,832	6,440,449,421	1,649,823,858	939,184,001	12,739,187,112
Ending balance	3,491,461,293	6,644,550,469	991,270,317	1,062,750,388	12,189,999,980

(Rs. Crore)

	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	1.22	4.50	0.85	0.53	7.10
Newly purchased	–	0.17	–	0.20	0.37
Transferred from construction in progress	–	0.66	–	–	0.66
Sold, disposed	–	–	–	(0.06)	(0.06)
Ending balance	1.22	5.33	0.85	0.67	8.07
In which:					
Fully depreciated	–	1.47	–	0.11	1.59
Accumulated depreciation					
Beginning balance	(0.28)	(2.87)	(0.44)	(0.29)	(3.89)
Depreciation for the year	(0.06)	(0.78)	(0.17)	(0.15)	(1.15)
Sold, disposed	–	–	–	0.04	0.04
Ending balance	(0.34)	(3.65)	(0.60)	(0.40)	(5.00)
Net carrying amount:					
Beginning balance	0.94	1.62	0.42	0.24	3.21
Ending balance	0.88	1.68	0.25	0.27	3.08

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

10. INTANGIBLE FIXED ASSETS

	VND			(Rs. Crore)		
	Patent/ Copyright	Computer software	Total	Patent/ Copyright	Computer software	Total
Cost:						
Beginning balance and ending balance	179,493,840	10,349,227,523	10,528,721,363	0.05	2.61	2.66
In which:						
Fully depreciated	179,493,840	–	179,493,840	0.05	-	0.05
Accumulated amortisation:						
Beginning balance	(153,317,655)	(5,592,712,393)	(5,746,030,048)	(0.04)	(1.41)	(1.45)
Amortisation for the year	(26,176,185)	(2,561,572,849)	(2,587,749,034)	(0.01)	(0.65)	(0.65)
Ending balance	(179,493,840)	(8,154,285,242)	(8,333,779,082)	(0.05)	(2.06)	(2.10)
Net carrying amount:						
Beginning balance	26,176,185	4,756,515,130	4,782,691,315	0.01	1.20	1.21
Ending balance	–	2,194,942,281	2,194,942,281	–	0.55	0.55

11. INVESTMENT PROPERTY

This represents the acquisition cost of land use right at Lot B2-29, 39 Tan Dong Hiep Industrial Zone, Di An District, Binh Duong Province in accordance with the land lease contract No.317/07/HDT.TDHB dated 25 August 2007. The Company's management has a plan to sell this land use right in the near future.

12. INVESTMENTS IN SUBSIDIARIES

Ending	VND		(Rs. Crore)	
	Beginning balance	Ending balance	Beginning balance	balance
Thuan Phat Foodstuff Joint Stock Company	93,943,051,308	88,954,186,308	23.70	20.40
Beauté Cosmétique Societé Par Actions	19,800,000,000	19,800,000,000	4.99	4.54
TOTAL	113,743,051,308	108,754,186,308	28.69	24.94

Details of the Company's subsidiaries as at 31 December 2011 are as follows:

Name of subsidiaries	Interest %	Cost of investment VND	Location	Business
Thuan Phat Foodstuff Joint Stock Company	96.20%	93,943,051,308	Ho Chi Minh City – Vietnam	Foodstuff
Beauté Cosmétique Societé Par Actions	99.00%	19,800,000,000	Ho Chi Minh City – Vietnam	Cosmetics and cosmetic materials
TOTAL		113,743,051,308		

NOTES TO THE FINANCIAL STATEMENTS

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Name of subsidiaries	Interest %	Cost of investment Rs. Crore	Location	Business
Thuan Phat Foodstuff Joint Stock Company	96.20%	23.70	Ho Chi Minh City – Vietnam	Foodstuff
Beauté Cosmétique Societé Par Actions	99.00%	4.99	Ho Chi Minh City – Vietnam	Cosmetics and cosmetic materials
TOTAL		28.69		

Beauté Cosmétique Societé Par Actions (“BCS”), a shareholding company, was established in accordance with Business Registration Certificate No. 4103010586 issued by the Department of Planning and Investment of Ho Chi Minh City on 12 June 2008. As at 31 December 2011, 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 2011, Company holds a 96.20% equity share in this subsidiary.

13. Long-term prepaid expenses

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Leasehold improvement for Hai Au Office	1,710,412,332	3,327,264,000	0.43	0.76
Land rental	2,202,595,560	2,066,782,822	0.56	0.47
Others	1,188,987,771	1,897,796,690	0.30	0.44
TOTAL	5,101,995,663	7,291,843,512	1.29	1.67

14. STATUTORY OBLIGATIONS

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Corporate income tax (<i>Note 21.1</i>)	4,276,585,098	2,961,674,499	1.08	0.68
Value added tax	2,206,264,283	1,190,267,396	0.56	0.27
Personal income tax	695,752,625	507,651,737	0.18	0.12
Others	–	115,716,371	–	0.03
TOTAL	7,178,602,006	4,775,310,003	1.82	1.10

15. ACCRUED EXPENSES

	VND		(Rs. Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
<i>Promotion expenses</i>	8,311,464,705	2,750,396,883	2.10	0.63
Salary for outsource sales person	5,306,210,284	–	1.34	–
Advertising accruals	1,422,557,247	745,180,907	0.36	0.17
Others	2,287,124,785	2,180,694,829	0.58	0.50
TOTAL	17,327,357,021	5,676,272,619	4.38	1.30

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

16. OWNERS' EQUITY**16.1 Increase and decrease in owners' equity**

	VND				
	Share capital	Share premium	Other funds belonging to Owners' Equity	Undistributed earnings	Total
Previous 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)
Utilization 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
Current year:					
Beginning balance	112,177,600,000	112,213,880,000	123,392,018	12,369,627,348	236,884,499,366
Profit for the year	–	–	–	47,653,615,330	47,653,615,330
Utilization of fund	–	–	(123,392,018)	–	(123,392,018)
Ending balance	112,177,600,000	112,213,880,000	–	60,023,242,678	284,414,722,678

(Rs. Crore)

	Share capital	Share premium	Other funds belonging to Owners' Equity	Undistributed earnings	Total
Previous year:					
Beginning balance	26.84	27.38	–	2.46	56.68
Increase in capital	0.53	–	–	–	0.53
Profit for the year	–	–	–	3.01	3.01
Transferred to funds belong to equity	–	–	1.33	(2.45)	(1.12)
Utilization of funds	–	–	(1.30)	–	(1.30)
Ending balance	27.37	27.38	0.03	3.02	57.80
Current year:					
Beginning balance	27.37	27.38	0.03	3.02	57.80
Profit for the year	–	–	–	11.63	11.63
Utilization of fund	–	–	(0.03)	–	(0.03)
Ending balance	27.37	27.38	–	14.65	69.40

16.2 Share capital

	Share capital Amounts as per Investment Certificate	%	Contributed share capital	Share capital Amounts as per Investment Certificate	%	Contributed share capital
Marico Limited	95,354,950,000	85.00%	95,354,950,000	24.06	85.00%	24.06
Phan Quoc Cong	14,975,390,000	13.35%	14,975,390,000	3.78	13.35%	3.78
Nguyen Yen Lan	1,847,260,000	1.65%	1,847,260,000	0.47	1.65%	0.47
TOTAL	112,177,600,000	100.00%	112,177,600,000	28.31	100.00%	28.31

NOTES TO THE FINANCIAL STATEMENTS

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On 7 January 2011, the Company's shareholders decided 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 sale shares took place on 27 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.

16.3 Shares

	Current year Shares	Previous year Shares
Shares authorised to be issued	11,217,760	11,217,760
Shares issued and fully paid	11,217,760	11,217,760
<i>Ordinary shares</i>	11,217,760	11,217,760
<i>Preference shares</i>	–	–
Outstanding shares	11,217,760	11,217,760
<i>Ordinary shares</i>	11,217,760	11,217,760
<i>Preference shares</i>	–	–

17. REVENUE FROM SALE OF GOODS

	VND		(Rs. Crore)	
	Current year	Previous year	Current year	Previous year
Gross revenue	593,413,258,318	390,870,483,411	149.70	89.63
Less				
Sales returns	(29,672,713,339)	(2,882,446,621)	(7.49)	(0.66)
Trade discounts	(13,418,886,306)	(7,973,502,428)	(3.39)	(1.83)
Net revenue	550,321,658,673	380,014,534,362	138.82	87.14

18. FINANCE INCOME

	VND		(Rs. Crore)	
	Current year	Previous year	Current year	Previous year
Interest income	2,458,522,953	526,648,579	0.62	0.12
Others	50,369,204	110,572,009	0.01	0.03
TOTAL	2,508,892,157	637,220,588	0.63	0.15

19. FINANCE EXPENSES

	VND		(Rs. Crore)	
	Current year	Previous year	Current year	Previous year
Foreign exchange losses	740,614,648	268,224,591	0.19	0.06
Interest expenses	69,093,274	140,520,555	0.02	0.03
TOTAL	809,707,922	408,745,146	0.21	0.09

NOTES TO THE FINANCIAL STATEMENTS

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20. PRODUCTION AND OPERATING COSTS

	VND		(Rs. Crore)	
	Current year	Previous year	Current year	Previous year
Raw materials	262,508,873,552	185,599,544,504	66.22	42.56
Labour costs	60,678,408,755	46,290,892,298	15.31	10.61
Depreciation and amortisation (Notes 9 and 10)	7,159,082,880	6,939,377,699	1.81	1.59
Expenses for external services	165,715,193,168	121,347,556,659	41.80	27.82
Other expenses	2,502,693,299	2,496,722,644	0.63	0.57
TOTAL	498,564,251,654	362,674,093,804	125.77	83.15

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 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 years commencing with the first year of making profits, and a 50% reduction for the following seven 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

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.

A reconciliation between the profit before tax and taxable profit is presented below:

INTERNATIONAL CONSUMER PRODUCTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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VND

	Current year			Total	Previous year
	Manufacturing activities	Trading activities	Other activities		
Profit before tax	51,637,983,283	119,423,736	1,824,590,079	53,581,997,098	17,108,081,834
Adjustments to increase (decrease) accounting profit					
Advertising expenses exceeding the deductible cap	27,830,728,019	–	–	27,830,728,019	31,127,937,252
Non-deductible expenses	1,442,953,745	307,713,942	3,600,000	1,754,267,687	1,471,300,541
Change in accrued expenses	8,682,550,364	–	–	8,682,550,364	(6,840,614,381)
Change in provision for obsolete inventories	1,309,677,783	101,621,076	–	1,411,298,859	–
Change in provision for severance allowance	165,081,032	–	–	165,081,032	–29,899,946
Unearned profit from goods issued invoices without delivered	117,204,747	–	–	117,204,747	–
Gain on foreign exchange difference	–	–	(18,317,743)	(18,317,743)	–
Change in provision for doubtful debts	–	–	–	–	(25,117,800)
Estimated current taxable profit	91,186,178,973	528,758,754	1,809,872,336	93,524,810,063	42,811,687,500
Estimated Current CIT	13,677,926,846	132,189,689	452,468,084	14,262,584,619	6,421,753,125
CIT reduction (50%)				(6,838,963,423)	(3,210,876,563)
Estimated Current CIT after reduction				7,423,621,196	3,210,876,562
CIT payable at beginning of year				2,961,674,499	4,501,026,639
CIT paid during the year				(6,108,710,597)	(4,750,228,702)
CIT payable at end of year				4,276,585,098	2,961,674,499

	Current year			Total	Previous year
	Manufacturing activities	Trading activities	Other activities		
Profit before tax	13.03	0.03	0.46	13.52	3.92
Adjustments to increase (decrease) accounting profit					
Advertising expenses exceeding the deductible cap	7.02	–	–	7.02	7.14
Non-deductible expenses	0.36	0.08	–	0.44	0.34
Change in accrued expenses	2.19	–	–	2.19	(1.57)
Change in provision for obsolete inventories	0.33	0.03	–	0.36	–
Change in provision for severance allowance	0.04	–	–	0.04	(0.01)
Unearned profit from goods issued invoices without delivered	0.03	–	–	0.03	–
Gain on foreign exchange difference	–	–	–	–	–
Change in provision for doubtful debts	–	–	–	–	(0.01)
Estimated current taxable profit	23.00	0.13	0.46	23.59	9.82
Estimated Current CIT	3.45	0.03	0.11	3.60	1.47
CIT reduction (50%)				(1.73)	(0.74)
Estimated Current CIT after reduction				1.87	0.74
CIT payable at beginning of year				0.75	1.03
CIT paid during the year				(1.54)	(1.09)
CIT payable at end of year				1.08	0.68

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

21.2 Deferred CIT

The following are the deferred tax assets and liabilities recognised by the Company, and the movements thereon, during the current and prior years:

	Separate balance sheet		Separate income statement	
	Ending balance	Beginning Balance	Current year	Previous year
Accrued expenses	749,459,957	(513,046,079)	1,262,506,036	(1,451,812,875)
Provision for obsolete inventories	123,631,103	–	123,631,103	(12,008,017)
Provision for severance allowance	100,765,038	(2,242,496)	103,007,534	(92,868,952)
Unearned profit from goods issued invoices without delivered	8,790,356	–	8,790,356	–
Foreign exchange difference	(4,579,436)	–	(4,579,436)	–
Provision for doubtful debts	–	(1,883,835)	1,883,835	(3,767,670)
Deferred CIT assets (liabilities)	978,067,018	(517,172,410)		
Net deferred CIT credit (expense) to separate income statement			1,495,239,428	(1,560,457,514)

(Rs. Crore)

	Separate balance sheet		Separate income statement	
	Ending balance	Beginning Balance	Current year	Previous year
Accrued expenses	0.19	(0.12)	0.32	(0.33)
Provision for obsolete inventories	0.03	–	0.03	–
Provision for severance allowance	0.03	–	0.03	(0.02)
Unearned profit from goods issued invoices without delivered	–	–	–	–
Foreign exchange difference	–	–	–	–
Provision for doubtful debts	–	–	–	–
Deferred CIT assets (liabilities)	0.25	(0.12)		
Net deferred CIT credit (expense) to separate income statement			0.38	(0.35)

22. TRANSACTIONS with related PARTIES

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

Related parties	Relationship	Transactions	VND	(Rs,Crore)
			Amounts	
Beauté Cosmétique	Subsidiary	Non-interest bearing	3,000,000,000	0.76
Société Par Actions		borrowings		
		Sale of goods	2,347,237,900	0.59
		Purchase of goods	106,001,471	0.03
		Sale of fixed assets	45,454,545	0.01
Thuan Phat Foodstuff	Subsidiary	Purchase of goods	89,003,064,108	22.45
Joint Stock Company		Sale of goods	311,850,057	0.08

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

Amounts due from related parties at the balance sheet date were as follows:

	Relationship	Transactions	Amount (VND)	(Rs,Crore)
Advances to a supplier				
Thuan Phat Foodstuff Joint Stock Company	Subsidiary	Advance to purchase goods	22,349,011,145	5.64
Other receivable				
Beauté Cosmétique Soci��t�� Par Actions	Subsidiary	Non-interest bearing borrowings	3,000,000,000	0.76

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Company does not hold or issue derivative financial instruments.

The Company is exposed to market risk, credit risk and liquidity risk.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Management reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include cash and deposits.

The sensitivity analyses in the following sections relate to the position as at 31 December 2011 and 31 December 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

In calculating the sensitivity analyses, management assumed that:

- ▶ the sensitivity of the balance sheet relates to available-for-sale debt instrument;
- ▶ the sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2011 and 31 December 2010.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's cash and short-term deposits. These investments are mainly short term in nature and they are not held for speculative purposes.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of cash and short-term deposits.

With all other variables held constant, the Company's profit before tax is affected through the impact on cash and short-term deposits as follows:

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

	VND		Rs. Crore
	Increase/decrease in basis points	Effect on profit before tax	
For the year ended 31 December 2011			
VND	+300	1,807,737,366	0.46
VND	-300	(1,807,737,366)	(0.46)
For the year ended 31 December 2010			
VND	+300	1,147,101,008	0.26
VND	-300	(1,147,101,008)	(0.26)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

The Company is exposed to foreign currency risk in relation to purchases of raw materials which are denominated in currencies other than Vietnam Dong. The Company manages its foreign currency exposure by considering the prevailing and expected market situation when it plans for future purchases of raw materials denominated in foreign currencies, other than increasing natural-hedged proportion. The Company does not employ any derivative financial instruments to hedge its foreign currency exposure.

A sensitivity analysis is not performed for foreign currency risk as the Company's exposure to interest-rate risk is minimal at reporting date.

Commodity price risk

The Company is exposed to commodity price risk in relation to purchase of raw materials. The Company manages its commodity price risk by keeping close watch on relevant information and situation of commodity market in order to properly manage timing of purchases, production plans and inventories level. The Company does not employ any derivative financial instruments to hedge its commodity price risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management. The Company only applied credit limit to major customers based on criteria approved by the management. The Company performed analyzing receivable aging at each reporting date on an individual basis for major clients.

Bank deposits

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's management in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit is as low.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

Liquidity risk

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

As at the balance sheet date, all the Company's financial liabilities are current liability and have the maturity date within one year. The Company can make cash flow from operating activities to pay the current liabilities.

Collateral

The Company has pledged some inventories amounting equivalent to US\$ 1,000,000 to guarantee for long-term loans of Thuan Phat Foodstuff Joint Stock Company – its subsidiary obtained from HSBC Bank (Vietnam) Limited..There are no other significant terms and conditions associated with the use of collateral.

The Company did not hold collateral at 31 December 2011 and 31 December 2010.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

VND

	Carrying Amount				Fair Value	
	Ending balance		Beginning balance		Ending balance	Beginning balance
	Cost	Provision	Cost	Provision		
Financial assets						
Trade receivables	20,927,965,578	–	14,410,016,918	–	20,927,965,578	14,410,016,918
Other receivables	3,705,900,309	–	63,058,189	–	3,705,900,309	63,058,189
Other financial assets	2,705,777,012	–	545,576,201	–	2,705,777,012	545,576,201
Cash and cash equivalents	60,353,360,852	–	38,241,076,815	–	60,353,360,852	38,241,076,815
TOTAL	87,693,003,751	–	53,259,728,123	–	87,693,003,751	53,259,728,123

	Carrying amount		Fair value	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Financial liabilities				
Trade payables	29,338,982,324	25,905,092,774	29,338,982,324	25,905,092,774
Other liabilities	17,471,494,286	5,944,505,512	17,471,494,286	5,944,505,512
TOTAL	46,810,476,610	31,849,598,286	46,810,476,610	31,849,598,286

(Rs. Corer)

	Carrying Amount				Fair Value	
	Ending balance		Beginning balance		Ending balance	Beginning balance
	Cost	Provision	Cost	Provision		
Financial assets						
Trade receivables	5.28	–	3.30	–	5.28	3.30
Other receivables	0.93	–	0.01	–	0.93	0.01
Other financial assets	0.68	–	0.13	–	0.68	0.13
Cash and cash equivalents	15.23	–	8.77	–	15.23	8.77
TOTAL	22.12	–	12.21	–	22.12	12.21

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

	Carrying amount		Fair value	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Financial liabilities				
Trade payables	7.40	5.94	7.40	5.94
Other liabilities	4.41	1.36	4.41	1.36
TOTAL	11.81	7.30	11.81	7.30

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

25. OPERATING LEASE COMMITMENT

The Company leases office premises and warehouse under operating leases. The minimum lease commitment as at 31 December 2011 under the operating lease agreements is as follows:

	VND		Rs. Crore	
	Current year	Previous year	Current year	Previous year
Less than 1 year	2,727,954,944	3,283,392,000	0.69	0.75
From 1 to 5 years	7,997,045,760	12,143,568,000	2.02	2.78
TOTAL	10,725,000,704	15,426,960,000	2.71	3.54

26. EVENTS SINCE THE BALANCE SHEET DATE

There has not been any 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.

Tran Le Kim Loan
Chief Accountant

6 March 2012

Phan Quoc Cong
Chief Executive Officer

BEAUTÉ COSMÉTIQUE SOCIÉTÉ PAR ACTIONS

Board of Directors

Vijay Subramaniam

Chaitanya J. Deshpande

Nikhil P. Narkhede

Le Quang Hanh

Phan Quoc Cong

Registered Office

8th floor, Hai Au Building,
39 B Truong Son Street, Tan Binh District,
Ho Chi Minh City, Vietnam

Auditors

Ernst & Young Vietnam Limited

Bankers

Vietcom Bank (VCB)

Vietin Bank

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 statement of the Company as at December 2010 and for the year then ended.

THE COMPANY

Beauté Cosmétique Société 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 Certificates:

<u>Amended Business Registration Certificate No.</u>	<u>Date</u>
0304073031 – 1st amendment	24 December 2008
0304073031 – 2nd amendment	11 December 2009
0304073031 – 3rd amendment	20 January 2010
0304073031 – 4th amendment	28 May 2010

<u>Joint Stock Enterprise Registration Certificate No.</u>	<u>Date</u>
0304073031	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 8th floor, Hai Au Building, 39B Truong Son Street, Tan Binh District, Ho Chi Minh City.

THE BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mr. Vijay S. Subramaniam	Chairman	Appointed on 25 August 2011
Mr. Chaitanya J. Deshpande	Member	Appointed on 25 August 2011
Mr. Nikhil P. Narkhede	Member	Appointed on 25 August 2011
Mr. Le Quang Hanh	Member	Appointed on 25 August 2011
Mr. Phan Quoc Cong	Member	Appointed on 25 August 2011

GENERAL DIRECTOR

The General Director during the year and at the date of this report is Mrs Pham Thi My Hanh.

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mrs Pham Thi My Hanh.

AUDITORS

The auditors of the Company are Ernst & Young Vietnam Limited.

General Director of Beauté Cosmétique Société Par Actions (“the Company”) is pleased to present its report and the financial statements of the Company for the year ended 31 December 2011.

STATEMENT OF GENERAL DIRECTOR’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

General Director is responsible for the financial statements of each financial year which give a true and fair view of the state

REPORT OF THE BOARD OF MANAGEMENT

of affairs of the Company and of its results and its cash flows for the year. In preparing those financial statements, General Director 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.

General Director 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.

General Director confirmed that the Company has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY GENERAL DIRECTOR

I do hereby state that, in my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2011 and of 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.

Pham Thi My Hanh

General Director

15 March 2012

INDEPENDENT AUDITORS' REPORT

To Shareholders of Beauté Cosmétique Société Par Actions

We have audited the financial statements of Beauté Cosmétique Société Par Actions ("the Company") as set out on pages 4 to 25 which comprise the balance sheet as at 31 December 2011, the income statement and the cash flow statement for the year then ended and the notes thereto.

The preparation and presentation of these financial statements are the responsibility of the Company's General Director. 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 Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's General Director, 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 2011, and of 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 the relevant statutory requirements.

Ernst & Young Vietnam Limited

Duong Le Anthony

Deputy General Director

Certificate No. N.2223/KTV

Ho Chi Minh City, Vietnam

15 March 2012

Le Quang Minh

Auditor

Certificate No. 0142/KTV

BEAUTÉ COSMÉTIQUE SOCIÉTÉ PAR ACTIONS

BALANCE SHEET

As at 31 December 2011

ASSETS	Notes	VND		(Rs.Crore)	
		Ending balance	Beginning balance	Ending balance	Beginning balance
A. CURRENT ASSETS		39,024,716,913	28,281,933,535	9.52	6.03
I. Cash and cash equivalents	4	18,699,854,770	6,930,779,231	4.57	1.48
1. Cash		4,699,854,770	4,930,779,231	1.15	1.05
2. Cash equivalents		14,000,000,000	2,000,000,000	3.42	0.43
II. Current accounts receivable		2,162,515,353	6,804,005,860	0.52	1.45
1. Trade receivables		99,560,393	407,135,647	0.02	0.09
2. Advances to suppliers		1,560,930,034	6,022,124,144	0.38	1.28
3. Other receivables	6	502,024,926	374,746,069	0.12	0.08
III. Inventories	5	17,658,954,485	14,101,531,489	4.31	3.01
1. Inventories		17,658,954,485	14,101,531,489	4.31	3.01
IV. Other current assets		503,392,305	445,616,955	0.12	0.09
1. Short-term prepaid expenses		463,344,305	298,856,955	0.11	0.06
2. Other current assets		40,048,000	146,760,000	0.01	0.03
B. NON-CURRENT ASSETS		4,085,945,831	4,467,980,975	1.00	0.95
I. Fixed assets		418,439,238	467,476,892	0.20	0.20
1. Tangible fixed assets	7	193,413,601	237,153,393	0.05	0.05
Cost		1,101,933,726	941,398,089	0.27	0.20
Accumulated depreciation		(908,520,125)	(704,244,696)	(0.22)	(0.15)
2. Intangible fixed assets	8	225,025,637	230,323,499	0.05	0.05
Cost		509,396,314	409,396,314	0.12	0.09
Accumulated amortisation		(284,370,677)	(179,072,815)	(0.07)	(0.04)
II. Other long-term assets		3,667,506,593	4,000,504,083	0.90	0.85
1. Long-term prepaid expenses	9	2,416,899,036	2,803,479,144	0.59	0.60
2. Deferred tax assets	18.3	164,092,676	151,949,687	0.04	0.03
3. Other long-term assets	10	1,086,514,881	1,045,075,252	0.27	0.22
TOTAL ASSETS		43,110,662,744	32,749,914,510	10.52	6.99

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

"The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them."

BEAUTÉ COSMÉTIQUE SOCIÉTÉ PAR ACTIONS

BALANCE SHEET (continued)

As at 31 December 2011

RESOURCES	Notes	VND		(Rs.Crore)	
		Ending balance	Beginning balance	Ending balance	Beginning balance
A. LIABILITIES		14,067,644,155	10,244,836,485	3.43	2.19
I. Current liabilities		13,411,273,450	9,637,037,735	3.27	2.06
1. Trade payables		2,546,337,029	2,422,689,969	0.62	0.52
2. Advances from customers		782,711,604	8,162,536	0.19	-
3. Statutory obligations	11	2,606,106,392	2,722,596,870	0.64	0.58
4. Payable to employees		3,695,653,823	2,761,898,183	0.90	0.59
5. Accrued expenses	12	780,464,602	1,721,690,177	0.19	0.37
6. Other payable	19	3,000,000,000	-	0.73	-
II. Non-current liability		656,370,705	607,798,750	0.16	0.13
1. Provision for severance allowance		656,370,705	607,798,750	0.16	0.13
B. OWNERS' EQUITY		29,043,018,589	22,505,078,025	7.09	4.80
I. Capital	13	29,043,018,589	22,505,078,025	7.09	4.80
1. Contributed charter capital		20,000,000,000	20,000,000,000	4.88	4.27
2. Foreign exchange differences reserve		27,292,841	-	0.01	-
3. Retained earnings		9,015,725,748	2,505,078,025	2.20	0.53
TOTAL LIABILITIES AND OWNERS' EQUITY		43,110,662,744	32,749,914,510	10.52	6.99

Nguyen Van Chin
Chief Accountant
15 March 2012

Pham Thi My Hanh
General Director

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

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BEAUTÉ COSMÉTIQUE SOCIÉTÉ PAR ACTIONS

INCOME STATEMENT

for the year ended 31 December 2011

ITEMS	Notes	VND		(Rs.Crore)	
		Current year	Previous year	Current year	Previous year
1. Revenue from sale of goods	14	97,537,357,560	86,307,126,100	23.80	18.41
2. Deductions	14	(1,788,279,840)	(659,294,671)	(0.44)	(0.14)
3. Net revenue from sale of goods	14	95,749,077,720	85,647,831,429	23.36	18.27
4. Cost of goods sold	17	(19,968,448,601)	(20,445,474,889)	(4.87)	(4.36)
5. Gross profit from sale of goods		75,780,629,119	65,202,356,540	18.49	13.91
5. Finance income	15	1,290,281,129	1,583,566,004	0.31	0.34
7. Finance expenses	16	(382,848,925)	(820,024,715)	(0.09)	(0.17)
8. Selling expenses	17	(57,320,649,388)	(48,713,775,890)	(13.99)	(10.39)
9. General and administrative expenses	17	(10,616,781,088)	(11,090,304,303)	(2.59)	(2.37)
10. Operating profit		8,750,630,847	6,161,817,636	2.14	1.31
11. Other income		481,060,374	173,503,343	0.12	0.04
12. Other expenses		(68,156,171)	(77,410,446)	(0.02)	(0.02)
13. Other profit		412,904,203	96,092,897	0.10	0.02
14. Profit before tax		9,163,535,050	6,257,910,533	2.24	1.33
15. Current corporate income tax expense	18.1	(2,665,030,316)	(1,652,460,040)	(0.65)	(0.35)
16. Deferred income tax income (expense)	18.3	12,142,989	(123,537,488)	–	(0.03)
17. Net profit after tax		6,510,647,723	4,481,913,005	1.59	0.96

Nguyen Van Chin
Chief Accountant
15 March 2012

Pham Thi My Hanh
General Director

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

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CASH FLOW STATEMENT

for the year ended 31 December 2011

Code	ITEMS	Notes	VND		(Rs.Crore)	
			Current year	Previous year	Current year	Previous year
I.	CASH FLOWS FROM OPERATING ACTIVITIES					
	Profit before tax		9,163,535,050	6,257,910,533	2.24	1.33
	Adjustments for:					
	Depreciation and amortisation	7, 8	309,573,291	307,816,118	0.08	0.07
	Provisions		–	(144,257,948)	–	(0.03)
	Unrealised foreign exchange (gains) losses		(36,981,140)	15,625,863	(0.01)	–
	Profits from investing activities	15	(472,174,922)	–	(0.12)	–
	Operating profit before changes in working capital		8,963,952,279	6,437,094,566	2.19	1.37
	Decrease (increase) in receivables		4,766,499,307	(2,828,265,535)	1.16	(0.60)
	Increase in inventories		(3,557,422,996)	(5,949,976,786)	(0.87)	(1.27)
	Increase in payables		4,229,119,790	3,516,377,080	1.03	0.75
	Increase in prepaid expenses		222,092,758	26,143,712	0.05	0.01
	Corporate income tax paid	18.2	(3,034,208,836)	(1,517,244,674)	(0.74)	(0.32)
	Other cash outflows from operating activities		27,292,841	–	0.01	–
	Net cash flows from (used in) operating activities		11,617,325,143	(315,871,637)	2.83	(0.07)
II.	CASH FLOWS FROM INVESTING ACTIVITY					
	Purchase of fixed assets		(260,535,637)	(428,657,500)	(0.06)	(0.09)
	Interest received		412,286,033	–	0.10	–
	Net cash flows from (used in) investing activities		151,750,396	(428,657,500)	0.04	(0.09)
III.	CASH FLOWS FROM FINANCING ACTIVITIES					
	Drawdown of loans and borrowings		–	13,000,000,000	–	2.77
	Payment of loans and borrowings		–	(23,000,000,000)	–	(4.91)
	Net cash flows used in financing activities		–	(10,000,000,000)	–	(2.13)
	Net increase (decrease) in cash and cash equivalents		11,769,075,539	(10,744,529,137)	2.87	(2.29)
	Cash and cash equivalents at beginning of year		6,930,779,231	17,675,308,368	1.69	3.77
	Cash and cash equivalents at end of year	4	18,699,854,770	6,930,779,231	4.56	1.48

Nguyen Van Chin

Chief Accountant

15 March 2012

Pham Thi My Hanh

General Director

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

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NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

1. CORPORATE INFORMATION

Beauté Cosmétique Société 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	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 8th 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 2011 was 238 employees (31 December 2010: 250 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 Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (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.

Applied accounting documentation system

The Company’s applied accounting documentation system is the General Journal system.

2.2 Fiscal year

The Company’s fiscal year applicable for the preparation of its financial statements starts on 1 January and ends on 31 December.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

2.3 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 financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010 except for the changes in the accounting policies in relation to the following:

3.1.1 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

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 ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The adoption of Circular 210 results in new disclosures being added to the financial statements as shown in Notes 20 and 21. Circular 210 also requires the Company to evaluate the terms of non-derivative financial instrument issued by the Company to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liabilities, financial assets or equity instruments in the balance sheet. This requirement has no impact on the financial position or result of operation of the Company as the Company has not yet issued such non-derivative financial instrument.

3.1.2 Effects of Changes in Foreign Exchange Rates

For the year ended 31 December 2011, the Company has adopted Circular No. 201/2009/TT-BTC issued on 15 October 2009 by the Ministry of Finance (the "Circular 201"). The Circular 201 differs from the accounting policy adopted in prior year under Vietnamese Accounting Standard No. 10 - Effects of Changes in Foreign Exchange Rates (the "VAS 10") providing guidance for the treatment of foreign exchange differences relating to the recognition of unrealised foreign exchange differences as follows:

<i>Transaction</i>	<i>Accounting treatment under</i>	
	<i>VAS 10</i>	<i>Circular 201</i>
Translation of short-term monetary assets and liabilities denominated in foreign currencies at year end.	All unrealised foreign exchange differences are taken to the 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.
Translation of long-term monetary liabilities denominated in foreign currencies at year end.	All unrealised foreign exchange differences are taken to the income statement.	- All unrealized foreign exchange gains are taken to the income statement. - All foreign exchange losses will be charged to the 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 income statement within the subsequent years. In any case, the total foreign exchange loss to be charged to current period's income statement 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 balance sheet and allocated to the income statement within the subsequent five years.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

The Circular is applied from 2011 on retrospective basis. The impacts of this change in accounting policy on the current and previous year's financial statements are not material as a whole.

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.

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 income statement.

3.4 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.

3.5 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.

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.

3.6 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.

NOTES TO THE FINANCIAL STATEMENTS**as at and for the year ended 31 December 2011**

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.

3.7 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:

Machinery & equipment	3 – 5 years
Office equipments	3 -5 years
Computer software	3 years

3.8 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.

3.9 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.

3.10 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 in 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 income statement.

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. 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, usually upon the delivery of the goods.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

Interest income

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 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 recognized 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. 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.

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 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.

3.14 Financial instruments

Financial instruments – initial recognition and presentation

Financial assets

Financial assets within the scope of Circular 210 are classified, for disclosures in the notes to the financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

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All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables..

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Financial instruments – subsequent measurement

No subsequent re-measurement of financial instruments is currently required.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. CASH AND CASH EQUIVALENTS

		VND	(Rs.Crore)
	Ending balance	Beginning balance	Ending balance Beginning balance
Cash on hand	2,197,115,872	1,259,223,368	0.54 0.27
Cash at banks	2,502,738,898	3,671,555,863	0.61 0.78
Cash equivalents	14,000,000,000	2,000,000,000	3.42 0.43
TOTAL	18,699,854,770	6,930,779,231	4.57 1.48

Cash equivalents mainly represent short-term bank deposits with maturity of less than 3 months which are readily convertible into known amounts of cash without any significant risk of change in value, and earn an interest rate at 14% per annum.

5. INVENTORIES

		VND	(Rs.Crore)
	Ending balance	Beginning balance	Ending balance Beginning balance
Merchandise goods	16,038,119,372	12,512,674,328	3.91 2.67
Goods in transit	727,232,995	1,320,928,323	0.18 0.28
Tools and supplies	893,602,118	267,928,838	0.22 0.06
TOTAL	17,658,954,485	14,101,531,489	4.31 3.01

6. OTHER RECEIVABLE

		VND	(Rs.Crore)
	Ending balance	Beginning balance	Ending balance Beginning balance
Social Insurance	363,366,010	357,246,069	0.09 0.08
Deposit interest	77,388,889	17,500,000	0.02 –
Others	61,270,027	–	0.01 –
TOTAL	502,024,926	374,746,069	0.12 0.08

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

7. TANGIBLE FIXED ASSETS

	VND			(Rs.Crore)		
	Machinery & equipment	Office equipments	Total	Machinery & equipment	Office equipments	Total
Cost:						
Beginning balance	560,929,715	380,468,374	941,398,089	0.09	0.23	0.32
Newly purchased	126,308,364	34,227,273	160,535,637	0.01	0.04	0.05
Ending balance	687,238,079	414,695,647	1,101,933,726	0.10	0.27	0.37
Accumulated depreciation:						
Beginning balance	(331,052,922)	(373,191,774)	(704,244,696)	(0.09)	(0.17)	(0.26)
Depreciation for the year	(184,304,133)	(19,971,296)	(204,275,429)	–	(0.05)	(0.05)
Ending balance	(515,357,055)	(393,163,070)	(908,520,125)	(0.09)	(0.22)	(0.31)
Net carrying amount:						
Beginning balance	229,876,793	7,276,600	237,153,393	–	0.06	0.06
Ending balance	171,881,024	21,532,577	193,413,601	–	0.06	0.06

8. INTANGIBLE FIXED ASSETS

	VND (Rs.Crore)	
	Computer software	Computer software
Cost:		
Beginning balance	409,396,314	0.10
Additions	100,000,000	0.02
Ending balance	509,396,314	0.12
Accumulated amortization:		
Beginning balance	(179,072,815)	(0.04)
Amortization for the year	(105,297,862)	(0.03)
Ending balance	(284,370,677)	(0.07)
Net carrying amount:		
Beginning balance	230,323,499	0.06
Ending balance	225,025,637	0.06

9. Long-term prepaid expenses

	VND		(Rs.Crore)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Maintenance and repair expenses	2,025,861,641	2,026,639,067	0.49	0.43
Tools and supplies	391,037,395	776,840,077	0.10	0.17
TOTAL	2,416,899,036	2,803,479,144	0.59	0.60

10. Other long-term assets

Other long-term assets mainly represented deposits to lessors for renting of the Company's retail shops.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

11. STATUTORY OBLIGATIONS

	Ending balance	VND Beginning balance	Ending balance	(Rs.Crore) Beginning balance
Corporate income tax (Note 18.2)	1,149,686,830	1,518,865,350	0.28	0.32
Value added tax	791,093,116	647,412,377	0.19	0.14
Personal income tax	665,326,446	556,319,143	0.16	0.12
TOTAL	<u>2,606,106,392</u>	<u>2,722,596,870</u>	<u>0.63</u>	<u>0.58</u>

12. ACCRUED EXPENSES

	Ending balance	VND Beginning balance	Ending balance	(Rs.Crore) Beginning balance
Bonus for employees	423,000,000	514,231,917	0.10	0.11
Advertising accruals	–	1,076,779,570	–	0.23
Others	357,464,602	130,678,690	0.09	0.03
TOTAL	<u>780,464,602</u>	<u>1,721,690,177</u>	<u>0.19</u>	<u>0.37</u>

13. OWNERS' EQUITY

13.1 Increase and decrease in owners' equity

	Contributed charter capital	Retained earnings	Foreign exchange differences reserve	VND Total
Previous year:				
Beginning balance	20,000,000,000	(1,976,834,980)	–	18,023,165,020
Net profit for the year	–	4,481,913,005	–	4,481,913,005
Ending balance	<u>20,000,000,000</u>	<u>2,505,078,025</u>	<u>–</u>	<u>22,505,078,025</u>
Current year:				
Beginning balance	20,000,000,000	2,505,078,025	–	22,505,078,025
Net profit for the year	–	6,510,647,723	–	6,510,647,723
Foreigntax exchange differences	–	–	27,292,841	27,292,841
Ending balance	<u>20,000,000,000</u>	<u>9,015,725,748</u>	<u>27,292,841</u>	<u>29,043,018,589</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

13.1 Increase and decrease in owners' equity (Continued)

	(Rs.Crore)			
	Contributed charter capital	Retained earnings	Foreign exchange differences reserve	Total
Previous year:				
Beginning balance	4.88	(0.48)	–	4.40
Net profit for the year	–	1.09	–	1.09
Ending balance	<u><u>4.88</u></u>	<u><u>0.61</u></u>	<u><u>–</u></u>	<u><u>5.49</u></u>
Current year:				
Beginning balance	4.88	0.61	–	5.49
Net profit for the year	–	1.59	–	1.59
Foreigntax differences	–	–	0.01	0.01
Ending balance	<u><u>4.88</u></u>	<u><u>2.20</u></u>	<u><u>0.01</u></u>	<u><u>7.09</u></u>

13.2 Contributed charter capital

	VND						
	Charter capital Amounts as per Joint Stock Enterprise Registration Certificate			Charter capital Amounts as per Joint Stock Enterprise Registration Certificate			Contributed Charter capital
		%	Contributed Charter capital		%	Contributed Charter capital	
International Consumer Products Corporation	19,800,000,000	99	19,800,000,000	4.83	99	4.83	
Nguyen Thi Tuyet Suong	100,000,000	0.5	100,000,000	0.02	0.5	0.02	
Nguyen Khanh Ngoc	100,000,000	0.5	100,000,000	0.02	0.5	0.02	
TOTAL	<u><u>20,000,000,000</u></u>	<u><u>100</u></u>	<u><u>20,000,000,000</u></u>	<u><u>4.87</u></u>	<u><u>100</u></u>	<u><u>4.87</u></u>	

13.3 Shares

	VND	
	Current year Shares	Previous year Shares
Shares authorised to be issued	2,000,000	2,000,000
Shares issued and fully paid	2,000,000	2,000,000
<i>Ordinary shares</i>	2,000,000	2,000,000
<i>Preference shares</i>	–	–
Outstanding shares	2,000,000	2,000,000
<i>Ordinary shares</i>	2,000,000	2,000,000
<i>Preference shares</i>	–	–

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

14 Revenue from sales of goods

	VND		(Rs.Crore)	
	Current year	Previous year	Current year	Previous year
Gross revenue	97,537,357,560	86,307,126,100	23.80	18.41
Less				
Trade discounts	(696,905,047)	(575,584,841)	(0.17)	(0.12)
Sales returns	(1,091,374,793)	(83,709,830)	(0.27)	(0.02)
Net revenue	95,749,077,720	85,647,831,429	23.36	18.27

15 Finance income

	VND		(Rs.Crore)	
	Current year	Previous year	Current year	Previous year
Interest income	472,174,922	789,890,831	0.12	0.17
Realised foreign exchange gains	818,106,207	793,675,173	0.20	0.17
TOTAL	1,290,281,129	1,583,566,004	0.32	0.34

16. FINANCE EXPENSES

This represented mainly realised foreign exchange losses during the year.

17. PRODUCTION AND OPERATING COSTS

	VND		(Rs.Crore)	
	Current year	Previous year	Current year	Previous year
Labour costs	39,709,469,497	37,344,650,513	9.69	7.97
Expenses for external services	27,042,726,296	21,688,167,144	6.60	4.63
Raw materials	19,968,448,601	20,445,474,889	4.87	4.36
Depreciation expenses (Notes 7 and 8)	309,573,291	307,816,118	0.08	0.07
Other expenses	875,661,392	463,446,418	0.21	0.10
TOTAL	87,905,879,077	80,249,555,082	21.45	17.13

18. 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.

18.1 Current CIT

	VND		(Rs.Crore)	
	Current year	Previous year	Current year	Previous year
Current CIT expense	(2,665,030,316)	(1,871,912,580)	(0.65)	(0.40)
Adjustment for over accrual of tax from prior years	—	219,452,540	—	0.05
TOTAL	(2,665,030,316)	(1,652,460,040)	(0.65)	(0.35)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

18.2 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 on the income statement and estimated taxable profit is presented below:

	VND		(Rs.Crore)	
	Current year	Previous year	Current year	Previous year
Profit before tax	9,163,535,050	6,257,910,533	2.24	1.33
Adjustments to increase (decrease) accounting profit				
Non-deductible expenses	951,906,838	904,764,730	0.23	0.19
Advertising expenses exceeding the deductible cap	544,679,321	904,244,453	0.13	0.19
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)
Estimated current taxable profit	10,660,121,209	7,487,650,322	2.60	1.58
Estimated Current CIT	2,665,030,316	1,871,912,580	0.65	0.40
CIT payable at beginning of year	1,518,865,350	1,383,649,984	0.37	0.30
Adjustment for over accrual of tax from prior years	—	(219,452,540)	—	(0.05)
CIT paid during the year	(3,034,208,836)	(1,517,244,674)	(0.74)	(0.32)
CIT payable at the end of year	1,149,686,830	1,518,865,350	0.28	0.33

18.3 Deferred CIT

The following are the deferred tax assets and liabilities recognized by the Company, and the movements thereon, during the current and prior reporting years.

	Balance sheet		Credit (charge) to Income statement	
	Current year VND	Previous year VND	Current year VND	Previous year VND
Severance allowance	164,092,676	151,949,687	12,142,989	(7,701,688)
Accrued expenses	—	—	—	(101,051,174)
Accrued interest income	—	—	—	(36,064,487)
Unrealised foreign exchange gain	—	—	—	21,279,861
Deferred CIT assets	164,092,676	151,949,687	—	—
Net deferred CIT credit (charge) to income statement	—	—	12,142,989	(123,537,488)

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	Balance sheet		Credit (charge) to Income statement	
	Current year (Rs.Crore)	Previous year (Rs.Crore)	Current year (Rs.Crore)	Previous year (Rs.Crore)
Severance allowance	0.04	0.03	0.01	(0.01)
Accrued expenses	—	—	—	(0.02)
Accrued interest income	—	—	—	(0.01)
Unrealised foreign exchange gain	—	—	—	—
Deferred CIT assets	0.04	0.03	—	—
Net deferred CIT credit (charge) to income statement	—	—	—	(0.03)

19 TRANSACTIONS WITH RELATED PARTY

Significant transactions with a related party during the year were as follows:

Related parties	Relationship	Transactions	Current year	Previous year
			(Rs.Crore)	(Rs.Crore)
International Consumer Products Corporation	Parent company	Sale of goods	116,601,618	0.03
		Sales return from ICP	882,882,352	0.22
		Purchase of goods	2,631,961,690	0.64
		Non-interest bearing borrowings	3,000,000,000	0.73

Amount due to a related party at the balance sheet date is as follows:

	Relationship	Transactions	Amount	Amount
Other payable				
International Consumer Products Corporation	Parent company	Non-interest bearing borrowings	(3,000,000,000)	(0.73)

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Company does not hold or issue derivative financial instruments.

The Company is exposed to market risk, credit risk and liquidity risk.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. General Director continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

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General Director reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include cash and deposits.

The sensitivity analyses in the following sections relate to the position as at 31 December 2011 and 31 December 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

In calculating the sensitivity analyses, General Director assumed that:

- ▶ the sensitivity of the balance sheet relates to available-for-sale debt instrument;
- ▶ the sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2011 and 31 December 2010.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's cash and short-term deposits. These investments are mainly short term in nature and they are not held for speculative purposes.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of cash and short-term deposits.

With all other variables held constant, the Company's profit before tax is affected through the impact on cash and short-term deposits as follows:

	Increase/decrease in basis points	VND Effect on profit before tax	Rs.Crore Effect on profit before tax
For the year ended 31 December 2011			
VND	300	560,995,643	0.12
VND	(300)	(560,995,643)	(0.12)
For the year ended 31 December 2010			
VND	300	207,923,377	–
VND	(300)	(207,923,377)	(0.05)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

The Company exposes to foreign currency risk in relation to purchases of raw materials which are denominated in currencies

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

other than Vietnam Dong. The Company manages its foreign currency exposure by considering the prevailing and expected market situation when it plans for future purchases of raw materials denominated in foreign currencies, other than increasing natural-hedged proportion. The Company does not employ any derivative financial instruments to hedge its foreign currency exposure.

A sensitivity analysis is not performed for foreign currency risk as the Company's exposure to interest-rate risk is minimal at reporting date.

Commodity price risk

The Company exposes to commodity price risk in relation to purchase of raw materials. The Company manages its commodity price risk by keeping close watch on relevant information and situation of commodity market in order to properly manage timing of purchases, production plans and inventories level. The Company does not employ any derivative financial instruments to hedge its commodity price risk.

Equity price risk

The Company is not exposed to equity securities price risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management. The Company only applied credit limit to major customers based on criteria approved by General Director.. The Company performed analyzing receivable aging at each reporting date on an individual basis for major clients.

Bank deposits

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's General Director in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

Liquidity risk

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents deemed adequate by General Director to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

As at the balance sheet date, all the Company's financial liabilities are current liabilities and have the maturity date within one year. The Company can make cash flow from operating activities to pay the current liabilities.

Collateral

The Company did not pledge or hold collateral at 31 December 2011 and 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	VND						(Rs.Crore)					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Ending balance	Beginning balance	Provision	Ending balance	Beginning balance	Provision	Ending balance	Beginning balance	Provision	Ending balance	Beginning balance	Provision
Financial assets												
Trade receivable	99,560,393	407,135,647	-	99,560,393	407,135,647	-	0.02	-	0.09	-	0.02	0.09
Other receivables	502,024,926	374,746,069	-	502,024,926	374,746,069	-	0.12	-	0.08	-	0.12	0.08
Other financial assets	1,126,562,881	1,191,835,252	-	1,126,562,881	1,191,835,252	-	0.27	-	0.25	-	0.27	0.25
Cash and cash equivalents	18,699,854,770	6,930,779,231	-	18,699,854,770	6,930,779,231	-	4.56	-	1.48	-	4.56	1.48
TOTAL	20,428,002,970	8,904,496,199	-	20,428,002,970	8,904,496,199	-	4.97	-	1.90	-	4.97	1.90
	VND						(Rs.Crore)					
Financial liabilities												
Trade payable	2,546,337,029	2,422,689,969	2,546,337,029	2,546,337,029	2,422,689,969	2,546,337,029	0.62	0.52	0.62	0.52	0.62	0.52
Other liabilities	780,464,602	1,721,690,177	780,464,602	780,464,602	1,721,690,177	780,464,602	0.19	0.37	0.19	0.37	0.19	0.37
TOTAL	3,326,801,631	4,144,380,146	3,326,801,631	3,326,801,631	4,144,380,146	3,326,801,631	0.81	0.89	0.81	0.89	0.81	0.89

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2011

22. OPERATING LEASE COMMITMENTS

The Company leases office premises, showrooms and warehouses under operating leases. The minimum lease commitment as at 31 December 2011 under the operating lease agreements is as follow:

	VND		(Rs.Crore)	
	Current year	Previous year	Current year	Previous year
Within one year	1,075,446,000	7,431,290,672	0.26	1.59
More than one year to five years	24,272,600,000	19,848,278,139	5.92	4.23
More than five years	–	1,181,356,800	–	0.25
TOTAL	<u>25,348,046,000</u>	<u>28,460,925,611</u>	<u>6.18</u>	<u>6.07</u>

23. EVENTS AFTER THE BALANCE SHEET DATE

There has not been any 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

6 March 2012

Pham Thi My Hanh

General Director

THUAN PHAT FOODSTUFF JOINT STOCK COMPANY

Board of Directors

Vijay Subramaniam

Phan Quoc Cong

Nikhil P. Narkhede

Le Quang Hanh

Chaitanya J. Deshpande

Registered Office

7th floor, Hai Au Building,
39 B Truong Son Street, 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 31/4, Duong Dong
Funai Ward, Phu Quoc District,
Kien Giang Province, Vietnam

Auditors

Ernst & Young Vietnam Ltd.

Bankers

Vietcombank (VCB)

Bank of Investment & Development of Vietnam (BIDV)

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Thuan Phat foodstuff Joint Company (“the Company”) is pleased to present its report and reparate financial statements as at 31 December,2011 and for the year then ended.

THE COMPANY

Thuan Phat Foodstuff Joint Stock 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 – 6th amendment	3 November 2010

The Company’s principal activities are to manufacture, process and trade 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.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mr Vijay S.Submaniam	Chairman	appointed on 25 August 2011
Mr Phan Quoc Cong	Chairman	resigned on 25 August 2011
Mr Nguyen Cong Hai	Member	resigned on 25 August 2011
Mr Chaitanya J. Deshpande	Member	appointed on 25 August 2011
Mr Nikhil P. Narkhede	Member	appointed on 25 August 2011
Mr Phan Quoc Cong	Member	appointed on 25 August 2011
Mr Le Quang Hanh	Member	appointed on 25 August 2011

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr Nguyen Van Chin	Head of Board of Supervision
Ms Doan Kim Lien	Member
Ms Ho Thi Thanh Hao	Member

REPORT OF THE BOARD OF MANAGEMENT

GENERAL DIRECTOR

General Director of the Company during the year and at the date of this report is Mr Le Quang Hanh.

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Le Quang Hanh.

AUDITORS

The auditors of the Company are Ernst & Young Vietnam Limited.

The General Director of Thuan Phat Joint Stock Company ("the Company") is pleased to present his report and the Company's financial statements as at and for the year ended 31 December 2011.

GENERAL DIRECTOR'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The General Director 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 General Director 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.

The General Director 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.

The General Director has confirmed that the Company has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY MANAGEMENT

I do hereby state that, in my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2011 and of 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.

Le Quang Hanh

General Director

15 March 2012

INDEPENDENT AUDITORS' REPORT

To:

The Shareholders of Thuan Phat Foodstuff Joint Stock Company

We have audited the financial statements of Thuan Phat Foodstuff Joint Stock Company ("the Company") as set out on pages 4 to 26 which comprise the balance sheet as at 31 December 2011, the income statement and the cash flow statement for the year then ended and the notes thereto.

The preparation and presentation of these financial statements are the responsibility of the Company's General Director. 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 Standards on Auditing. 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 General Director, 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 2011, and of 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 the relevant statutory requirements.

Ernst & Young Vietnam Limited

Duong Le Anthony

Deputy General Director

Certificate No. N.2223/KTV

Ho Chi Minh City, Vietnam

15 March 2012

Le Quang Minh

Auditor

Certificate No. 0426/KTV

THUAN PHAT FOODSTUFF JOINT STOCK COMPANY

BALANCE SHEET

As at 31 December 2011

ASSETS	Notes	VND		Rs.Crore	
		Ending balance	Beginning balance	Ending balance	Beginning balance
A. CURRENT ASSETS		23,172,728,731	23,738,007,838	5.83	5.43
I. Cash	4	1,859,981,712	529,092,667	0.47	0.12
II. Current accounts receivable		894,911,378	2,433,383,248	0.22	0.56
1. Trade receivables		2,845,998	974,970,932	–	0.22
2. Advances to suppliers		45,480,000	168,906,002	0.01	0.04
3. Other receivables		846,585,380	1,289,506,314	0.21	0.30
III. Inventories	5	20,039,508,674	20,163,899,756	5.05	4.62
1. Inventories		20,460,591,117	20,299,128,456	5.16	4.65
2. Provision for obsolete inventories		-421,082,443	-135,228,700	(0.11)	(0.13)
IV. Other current assets		378,326,967	611,632,167	0.09	0.13
1. Short-term prepaid expenses		280,963,105	406,098,368	0.07	0.09
2. Taxes and other receivables from the State	17.1	56,473,862	56,473,862	0.01	0.01
3. Other current assets		40,890,000	149,059,937	0.01	0.03
B. NON-CURRENT ASSETS	3	5,649,794,514	37,086,574,058	8.99	8.50
I. Fixed assets		34,614,358,046	35,709,786,018	17.45	16.38
1. Tangible fixed assets	6	12,142,132,046	13,095,695,351	3.06	3.00
Cost		19,402,298,282	18,178,092,459	4.89	4.17
Accumulated depreciation		(7,260,166,236)	(5,082,397,108)	(1.83)	(1.17)
2. Intangible fixed assets	7	22,459,650,779	22,614,090,667	5.67	5.19
Cost		23,399,278,817	23,235,918,817	5.90	5.33
Accumulated amortisation		(939,628,038)	(621,828,150)	(0.24)	(0.14)
3. Construction in progress		12,575,221	–	–	–
II. Other long-term asset		1,035,436,468	1,376,788,040	0.26	0.32
1. Long-term prepaid expenses		1,035,436,468	1,376,788,040	0.26	0.32
TOTAL ASSETS		58,822,523,245	60,824,581,896	14.82	13.93

Nguyen Chi Thanh
Chief Accountant

15 March 2012

Le Quang Hanh
General Director

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

“The columns in INR are not part of the audited financial statements and the audit opinion does not apply to them.”

THUAN PHAT FOODSTUFF JOINT STOCK COMPANY

BALANCE SHEET (CONTD.)

As at 31 December 2011

RESOURCES	Notes	VND		Rs.Crore	
		Ending balance	Beginning balance	Ending balance	Beginning balance
A. LIABILITIES		30,255,844,718	25,681,660,447	7.63	5.89
I. Current liabilities		29,888,410,536	25,263,699,994	7.55	5.80
1. Short-term loans		5,671,703,413	–	–	1.30
2. Trade payables		5,744,829,167	6,742,620,125	1.45	1.55
3. Advances from customers	8	22,349,011,145	12,195,132,807	5.64	2.80
4. Statutory obligations	9	513,007,768	245,877,516	0.13	0.06
5. Accrued expenses	10	977,490,061	406,333,850	0.25	0.09
6. Other payables		304,072,395	2,032,283	0.08	–
II. Non-current liability		367,434,182	417,960,453	0.09	0.10
1. Provision for severance allowance		367,434,182	417,960,453	0.09	0.10
B. OWNERS' EQUITY		28,566,678,527	35,142,921,449	7.21	8.06
I. Capital	11	28,566,678,527	35,142,921,449	7.92	7.20
1. Share capital		31,400,000,000	31,400,000,000	7.92	7.20
2. (Accumulated losses) Undistributed earnings		(2,833,321,473)	3,742,921,449	(0.71)	0.86
TOTAL LIABILITIES AND OWNERS' EQUITY		58,822,523,245	60,824,581,896	14.84	13.95

OFF BALANCE SHEET ITEM

ASSETS	Notes	VND		Rs.Crore	
		Ending balance	Beginning balance	Ending balance	Beginning balance
Foreign currency					
- United states dollar (US\$)		1,165.98	8,086	0.01	0.04

Nguyen Chi Thanh

Chief Accountant

15 March 2012

Le Quang Hanh

General Director

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

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THUAN PHAT FOODSTUFF JOINT STOCK COMPANY

INCOME STATEMENT

for the year ended 31 December 2011

ITEMS	Notes	VND		Rs.Crore	
		Current year	Previous year	Current year	Previous year
1. Revenue from sale of goods	12	91,590,543,853	77,003,496,863	23.11	17.66
2. Deductions	12	(1,602,434,212)	(1,780,922,423)	(0.40)	(0.41)
3. Net revenue from sale of goods	12	89,988,109,641	75,222,574,440	22.70	17.25
4. Cost of goods sold	16	(80,767,751,768)	(65,406,477,578)	(20.38)	(15.00)
5. Gross profit from sale of goods		9,220,357,873	9,816,096,862	2.33	2.25
6. Finance income	13	74,942,059	202,061,500	0.02	0.05
7. Finance expenses	14	(187,728,956)	(1,665,110,697)	(0.05)	(0.38)
In which: Interest expense		(180,302,141)	(1,655,369,474)	(0.05)	(0.38)
8. Selling expenses	16	(6,075,012,343)	(7,434,256,098)	(1.53)	(1.70)
9. General and administrative expenses	16	(9,545,233,906)	(6,658,626,471)	(2.41)	(1.53)
10. Operating loss		(6,512,675,273)	(5,739,834,904)	(1.64)	(1.32)
11. Other income	15	121,728,397	4,632,927,248	0.03	1.06
12. Other expenses	15	(185,296,046)	(789,650,550)	(0.05)	(0.18)
13. Other (loss) profit	15	(63,567,649)	3,843,276,698	(0.02)	0.88
14. Loss before tax		(6,576,242,922)	(1,896,558,206)	(1.66)	(0.43)
15. Current corporate income tax expenses	17.1	–	(275,130,747)	–	(0.06)
16. Net loss after tax		(6,576,242,922)	(2,171,688,953)	(1.66)	(0.50)

Nguyen Chi Thanh

Chief Accountant

15 March 2012

Le Quang Hanh

General Director

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

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CASH FLOW STATEMENT

as at and for the year ended 31 December 2011

ITEMS	Notes	VND		Rs.Crore	
		Current year	Previous year	Current year	Previous year
I. CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(6,576,242,922)	1,896,558,206	(1.66)	(0.43)
Adjustments for:					
Depreciation and amortisation	6,7	2,495,569,016	2,315,617,135	0.63	0.53
Provisions		336,380,014	(190,430,090)	0.08	(0.04)
Profits from investing activities		(42,284,258)	(141,308,065)	(0.01)	(0.03)
Interest expense	14	180,302,141	1,655,369,474	0.05	0.38
Operating (loss) profit before changes in working capital		(3,606,276,009)	1,742,690,248	(0.91)	(0.40)
Decrease in receivables		1,646,641,807	23,563,897,498	0.42	5.40
(Increase) decrease in inventories		(161,462,661)	1,206,271,487	(0.04)	0.28
Increase (decrease) in payables		10,195,361,413	(2,874,247,757)	2.57	(0.66)
Decrease (increase) in prepaid expenses		466,486,835	(350,188,617)	0.12	(0.08)
Interest paid		(180,302,141)	(1,763,841,256)	(0.05)	(0.40)
Corporate income tax paid	17.1	–	(56,473,862)	–	(0.01)
Net cash flows from operating activities		8,360,449,244	21,468,107,741	2.11	4.92
II. CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets		(1,400,141,044)	(2,065,524,177)	(0.35)	(0.47)
Proceeds from disposals of fixed assets		–	300,909,091	–	0.07
Interest received	13	42,284,258	48,836,453	0.01	0.01
Net cash flows used in investing activities		(1,357,856,786)	(1,715,778,633)	(0.34)	(0.39)
III. CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		4,525,139,479	8,395,866,826	1.14	1.93
Repayment of borrowings		(10,196,842,892)	(27,924,163,413)	(2.57)	(6.40)
Net cash flows used in financing activities		(5,671,703,413)	(19,528,296,587)	(1.43)	(4.47)
Net increase in cash		1,330,889,045	224,032,521	0.34	0.06
Cash at beginning of year		529,092,667	305,060,146	0.13	0.07
Cash at end of year	4	1,859,981,712	529,092,667	0.47	0.12

Nguyen Chi Thanh
Chief Accountant

15 March 2012

Le Quang Hanh
General Director

Note - The exchange rate used to convert VND to Rs. <0.002523> / <VND> (Rs. <0.002293> / <VND>)

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NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

1. CORPORATE INFORMATION

Thuan Phat Foodstuff Joint Stock Company ("the Company") is a joint stock 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 Certificate No.	Date
4103006767 – 1st amendment	23 January 2009
4103006767 – 2nd amendment	18 June 2009
4103006767 – 3rd amendment	30 November 2009
4103006767 – 4th amendment	18 January 2010
4103006767 – 5th amendment	27 January 2010
Joint Stock Enterprise Registration Certificate No.	Date
0304979919 – 6th amendment	3 November 2010

The principal activities of the Company are to manufacture, process and trade 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.

The number of the Company's employees as at 31 December 2011 was 163 persons (31 December 2010: 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 Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2.2 Applied accounting documentation system

The Company's applied accounting documentation system is the General Journal system.

2.3 Financial year

The Company's fiscal year applicable for the preparation of its financial statements 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 financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2010 except for the change in the accounting policy in relation to the following:

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 ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The adoption of Circular 210 results in new disclosures being added to the financial statements as shown in Notes 19 and 20.

Circular 210 also requires the Company to evaluate the terms of non-derivative financial instrument issued by the Company to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liabilities, financial assets or equity instruments in the balance sheet. This requirement has no impact on the financial position or result of operation of the Company as the Company has not yet issued such non-derivative financial instrument.

3.2 Cash

Cash comprises cash on hand and cash in banks.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

3.4 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.

3.5 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 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.

3.6 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 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 40 years from 30 November 2007. The cost of the rights is amortised on a 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.

3.7 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3.8 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.

3.9 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds and are recorded as expense during the year in which they are incurred.

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 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 December 2008 in 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 balance sheet date. Any changes to the accrued amount will be taken to the income statement.

3.12 Foreign currency transactions

The Company follows the guidance under VAS No.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 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	Accounting treatment under	
	VAS 10	Circular 201
Translation of short-term monetary assets and liabilities denominated in foreign currencies.	All unrealised foreign exchange differences are taken to the 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.
Translation of long-term monetary liabilities denominated in foreign currencies at year-end.	All unrealised foreign exchange differences are taken to the income statement.	All unrealised foreign exchange gains are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

Transaction	VAS 10	Accounting treatment under Circular 201
		All foreign exchange losses will be charged to the 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 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 balance sheet and allocated to the income statement within the subsequent five years.

However, the impact to the financial statements had the Company adopted the Circular 201 for the year ended 31 December 2011 was not material as a whole.

3.13 Appropriation of net profits

Net profit after tax is available for appropriation to investors as proposed by the Board of Directors 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.

3.14 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. 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, usually upon the delivery of the goods.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

3.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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.

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	Beginning balance	Ending balance	Beginning balance
Cash on hand	115,490,000	1,376,225	0.03	–
Cash in banks	1,744,491,712	527,716,442	0.44	0.12
TOTAL	1,859,981,712	529,092,667	0.47	0.12

5 INVENTORIES

	VND		Rs.Crore	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Raw materials	8,907,371,669	9,793,283,727	2.25	2.25
Work in process	10,301,529,696	9,601,436,497	2.60	2.20
Finished goods	1,251,689,752	904,408,232	0.32	0.21
TOTAL	20,460,591,117	20,299,128,456	5.17	4.66
Provision for obsolete inventories	(421,082,443)	(135,228,700)	(0.11)	(0.03)
NET	20,039,508,674	20,163,899,756	5.06	4.63

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

Detail of movements of provision for obsolete inventories

	VND		Rs.Crore	
	Current year	Previous year	Current year	Previous year
Provision for obsolete inventories at beginning of year	135,228,700	–	0.03	–
Add: Provision created during the year	345,853,743	135,228,700	0.09	0.03
Less: Utilisation and reversal of provision during the year	(60,000,000)	–	(0.02)	–
Provision for obsolete inventories at end of year	421,082,443	135,228,700	0.11	0.03

6 TANGIBLE FIXED ASSETS

	VND				
	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	6,160,615,479	11,066,650,964	649,038,822	301,787,194	18,178,092,459
Additions	918,045,375	306,160,448	–	–	1,224,205,823
Reclassification	–	(70,824,000)	–	70,824,000	–
Ending balance	7,078,660,854	11,301,987,412	649,038,822	372,611,194	19,402,298,282
Accumulated depreciation:					
Beginning balance	(916,422,525)	(3,573,127,406)	(328,966,018)	(263,881,159)	(5,082,397,108)
Depreciation charge for the year	(357,107,090)	(1,652,324,387)	(114,526,785)	(53,810,866)	(2,177,769,128)
Ending balance	(1,273,529,615)	(5,225,451,793)	(443,492,803)	(317,692,025)	(7,260,166,236)
Net carrying amount:					
Beginning balance	5,244,192,954	7,493,523,558	320,072,804	37,906,035	13,095,695,351
Ending balance	5,805,131,239	6,076,535,619	205,546,019	54,919,169	12,142,132,046

	Rs.Crore				
	Buildings & structures	Machinery & equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	1.55	2.79	0.16	0.08	4.58
Additions	0.23	0.08	–	–	0.31
Reclassification	–	(0.02)	–	0.02	–
Ending balance	1.79	2.85	0.16	0.09	4.89
Accumulated depreciation:					
Beginning balance	(0.23)	(0.90)	(0.08)	(0.07)	(1.28)
Depreciation charge for the year	(0.09)	(0.42)	(0.03)	(0.01)	(0.55)
Ending balance	(0.32)	(1.32)	(0.11)	(0.08)	(1.83)
Net carrying amount:					
Beginning balance	1.32	1.89	0.08	0.01	3.30
Ending balance	1.46	1.53	0.05	0.01	3.05

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

7 INTANGIBLE FIXED ASSETS

				VND
	Land use rights	Software	Others	Total
Cost:				
Beginning balance	22,515,101,000	–	720,817,817	23,235,918,817
Additions	-	163,360,000	–	163,360,000
Ending balance	22,515,101,000	163,360,000	720,817,817	23,399,278,817
Accumulated amortisation:				
Beginning balance	(561,760,000)	–	(60,068,150)	(621,828,150)
Amortisation for the year	(168,528,000)	(5,104,998)	(144,166,890)	(317,799,888)
Ending balance	(730,288,000)	(5,104,998)	(204,235,040)	(939,628,038)
Net carrying amount:				
Beginning balance	21,953,341,000	–	660,749,667	22,614,090,667
Ending balance	21,784,813,000	158,255,002	516,582,777	22,459,650,779

				Rs.Crore
	Land use rights	Software	Others	Total
Cost:				
Beginning balance	5.68	–	0.18	5.86
Additions	–	0.04	–	0.04
Ending balance	5.68	0.04	0.18	5.90
Accumulated amortisation:				
Beginning balance	(0.14)	–	(0.02)	(0.16)
Amortisation for the year	(0.04)	–	(0.04)	(0.08)
Ending balance	(0.18)	–	(0.05)	(0.23)
Net carrying amount:				
Beginning balance	5.54	–	0.17	5.71
Ending balance	5.50	0.04	0.13	5.67

8 ADVANCE FROM CUSTOMERS

	VND		Rs.Crore	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Related party (Note 18)	22,349,011,145	12,190,132,807	5.64	2.80
Third parties	–	5,000,000	–	–
TOTAL	22,349,011,145	12,195,132,807	5.64	2.80

9 STATUORY OBLIGATIONS

	VND		Rs.Crore	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Value added tax	435,458,710	167,739,366	0.11	0.04
Personal income tax	77,549,058	78,138,150	0.02	0.02
TOTAL	513,007,768	245,877,516	0.13	0.06

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

10 ACCRUED EXPENSES

	VND		Rs.Crore	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Marketing expenses	831,690,061	166,823,388	0.21	0.04
Professional service fees	37,000,000	105,300,000	0.01	0.02
Interest expenses	--	17,138,516	--	--
Others	108,800,000	117,071,946	0.03	0.03
TOTAL	977,490,061	406,333,850	0.25	0.09

11 OWNERS' EQUITY
11.1 Increase and decrease in owner's equity

	VND			Rs.Crore		
	Share capital	(Accumulated losses) Undistributed earnings	Total	Share capital	(Accumulated losses) Undistributed earnings	Total
Previous year:						
Beginning balance	31,400,000,000	5,914,610,402	37,314,610,402	7.92	1.49	9.41
Net loss for the year	--	(2,171,688,953)	(2,171,688,953)	--	(0.55)	(0.55)
Ending balance	31,400,000,000	3,742,921,449	35,142,921,449	7.92	0.94	8.86
Current year:						
Beginning balance	31,400,000,000	3,742,921,449	35,142,921,449	7.92	0.94	8.86
Net loss for the year	--	(6,576,242,922)	(6,576,242,922)	--	(1.66)	(1.66)
Ending balance	31,400,000,000	(2,833,321,473)	28,566,678,527	7.92	(0.72)	7.2

11.2 Details of owner's equity

	VND			Rs.Crore		
	Share capital Amount	%	Contributed share capital	Share capital Amount	%	Contributed share capital
International Consumer Products Corporation	30,213,940,000	96.2	30,213,940,000	7.62	96.2	7.62
Others	1,186,060,000	3.8	1,186,060,000	0.3	3.8	0.3
TOTAL	31,400,000,000	100	31,400,000,000	7.92	100	7.92

11.3 Shares

	VND	
	Current year Shares	Previous year share
Shares authorised to be issued	3,140,000	3,140,000
Shares issued and fully paid	3,140,000	3,140,000
Ordinary shares	3,140,000	3,140,000
Preference shares	--	--
Outstanding shares	3,140,000	3,140,000
Ordinary shares	3,140,000	3,140,000
Preference shares	--	--

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

12 REVENUE FROM SALE OF GOODS

	VND		Rs.Crore	
	Current year	Previous year	Current year	Previous year
Gross revenue	91,590,543,853	77,003,496,863	23.11	17.66
Less: Deductions	(1,602,434,212)	(1,780,922,423)	(0.40)	(0.41)
Of which:				
Trade discounts	–	(270,681)	–	–
Sales returns	(1,602,434,212)	(1,780,651,742)	(0.40)	(0.41)
Net revenue	89,988,109,641	75,222,574,440	22.71	17.25

13 FINANCE INCOME

	VND		Rs.Crore	
	Current year	Previous year	Current year	Previous year
Interest income	42,284,258	48,836,453	0.01	0.01
Realized foreign exchange gain	32,657,801	153,225,047	0.01	0.04
TOTAL	74,942,059	202,061,500	0.02	0.05

14 FINANCE EXPENSES

	VND		Rs.Crore	
	Current year	Previous year	Current year	Previous year
Interest expense	180,302,141	1,655,369,474	0.05	0.38
Realized foreign exchange losses	–	8,844,324	–	–
Others	7,426,815	896,899	–	–
TOTAL	187,728,956	1,665,110,697	–	0.38

15 OTHER INCOME AND OTHER EXPENSES

	VND		Rs.Crore	
	Current year	Previous year	Current year	Previous year
Other income	121,728,397	4,632,927,248	0.03	1.06
Reversal of prior year accruals	–	4,110,088,758	–	0.94
Proceed from disposed assets	–	300,909,091	–	0.07
Others	121,728,397	221,929,399	0.03	0.05
Other expenses	(185,296,046)	(789,650,550)	(0.05)	(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	(23,284,500)	(134,319,526)	(0.01)	(0.03)
Others	(162,011,546)	(132,787,354)	(0.04)	(0.03)
NET OTHER (LOSS) PROFIT	(63,567,649)	3,843,276,698	(0.02)	0.88

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

16 PRODUCTION AND OPERATING COSTS

	VND		Rs.Crore	
	Current year	Previous year	Current year	Previous year
Raw materials	69,428,281,122	56,060,529,064	17.51	12.85
Labour costs	12,272,356,474	9,727,230,635	3.10	2.23
Depreciation and amortization (Notes 6 and 7)	2,495,569,016	2,315,617,135	0.63	0.53
External services	5,117,524,174	1,104,445,397	1.29	0.25
Others	7,074,267,231	10,291,537,916	1.78	2.36
TOTAL	96,387,998,017	79,499,360,147	24.31	18.22

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 25%. As the Company is in a tax loss position for the year ended 31 December 2011, no provision for CIT has been recognised.

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.

17.1. 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.

	Current year		Previous year	
	Registered activities under Business Registration Certificate	Other activities	Total	Total
Loss before tax	(6,512,675,273)	(63,567,649)	(6,576,242,922)	(1,896,558,206)
Adjustments for decrease (increase) in accounting loss				
Non-deductible expenses	1,427,520,029	23,284,500	1,450,804,529	1,400,729,643
Change in provision for severance allowance	(50,526,271)	–	(50,526,271)	(992,182,050)
Change in provision for obsolete inventories	285,853,743	–	285,853,743	–
Unrealized foreign exchange gains	–	–	–	(461,158,067)
Change in accrued expenses	(93,710,462)	–	(93,710,462)	(40,031,019)
Estimated tax loss	(4,943,538,234)	(40,283,149)	(4,983,821,383)	(1,989,199,699)
Estimated Current CIT	–	–	–	–
Under accrual for CIT expense of previous years	–	–	–	275,130,747
CIT overpaid at beginning of year	–	–	(56,473,862)	(275,130,747)
CIT paid during the year	–	–	–	(56,473,862)
CIT overpaid at end of year	–	–	(56,473,862)	(56,473,862)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

Rs.Crore

	Current year		Previous year	
	Registered activities under Business Registration Certificate	Other activities	Total	Total
Loss before tax	(1.64)	(0.02)	(1.66)	(0.43)
Adjustments for decrease (increase) in accounting loss				
Non-deductible expenses	0.36	0.01	0.37	0.32
Change in provision for severance allowance	(0.01)	–	(0.01)	(0.23)
Change in provision for obsolete inventories	0.07	–	0.07	–
Unrealized foreign exchange gains	–	–	–	(0.11)
Change in accrued expenses	(0.02)	–	(0.02)	(0.01)
Estimated tax loss	(1.24)	(0.01)	(1.25)	(0.46)
Estimated Current CIT	–	–	–	–
Under accrual for CIT expense of previous years	–	–	–	0.06
CIT overpaid at beginning of year	–	–	(0.01)	(0.06)
CIT paid during the year	–	–	–	(0.01)
CIT overpaid at end of year	–	–	(0.01)	(0.01)

17.2 Unrecognised deferred tax

Deferred tax assets have not been recognized in respect of the following items due to uncertainty of future taxable profits.

Temporary differences	VND	Rs.Crore
Provision for obsolete inventories	421,082,443	0.11
Provision for severance allowance	367,434,182	0.09
Accrued expenses	145,800,000	0.04
TOTAL	934,316,625	0.24

Tax losses carried forward

The Company is entitled to carry each individual tax loss forward to offset against taxable profits arising within five years subsequent to the year in which the loss was incurred. At the balance sheet date, the Company has aggregated accumulated estimated tax losses of VND 6,973,021,082 (2010: VND 1,989,199,699) available for offset against future taxable profits.

VND

Originating year	Can be utilized up to	Tax loss amount	Utilized up to 31.12.2011	Forfeited	Unutilized at 31 December 2011
2010	2015	1,989,199,699	–	–	1,989,199,699
2011	2016	4,983,821,383	–	–	4,983,821,383
TOTAL		6,973,021,082	–	–	6,973,021,082

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

Rs.Crore

Originating year	Can be utilized up to	Tax loss amount	Utilized up to 31.12.2011	Forfeited	Unutilized at 31 December 2011
2010	2015	0.50	–	–	0.50
2011	2016	1.26	–	–	1.26
TOTAL		1.70	–	–	1.76

Estimated tax loss as per the Company's corporate income tax declarations for the years 2010 and 2011 have not been audited by the local tax authorities as of the date of these financial statements.

18 TRANSACTIONS WITH RELATED PARTIES

Significant transactions with a related party during the year were as follows:

Related company	Relationship	Transactions	Amounts	
			VND	Rs.Crore
International Consumer Products Corporation	Parent company	Sale of goods	87,282,837,875	22.02
		Purchase of goods	324,382,149	0.08
		Payments made on behalf	290,702,739	0.07

Amounts due to a related party at the balance sheet date were as follows:

Related company	Relationship	Transactions	Amount	
			(VND)	Rs.Crore
Advance from customer				
International Consumer Products Corporation	Parent company	Advance for purchase of goods	22,349,011,145	5.64

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, cash and short-term deposits that arise directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The General Director continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

The General Director reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's cash and short-term deposits and loans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

The Company manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favourable for its purposes within its risk management limits.

A sensitivity analysis is not performed for interest rate risk as the Company's exposure to interest-rate risk is minimal at reporting date.

Foreign currency risk

The Company is exposed to foreign currency risk in relation to purchases and sales of goods which are denominated in currencies other than its accounting currency as disclosed in Note 2.4. The Company manages its foreign currency exposure by considering the prevailing and expected market situation when it plans for future purchases and sales of goods denominated in foreign currencies, other than increasing natural-hedged proportion. The Company does not employ any derivative financial instruments to hedge its foreign currency exposure

A sensitivity analysis is not performed for foreign currency risk as the Company's exposure to this risk is minimal at reporting date.

Commodity price risk

The Company is exposed to commodity price risk in relation to purchase of raw material for production. The Company manages its commodity price risk by keeping close watch on relevant information and situation of commodity market in order to properly manage timing of purchases, production plans and inventories level. The Company does not employ any derivative financial instruments to hedge its commodity price risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. In view of the aforementioned and the fact that the Company's trade receivables mainly relate to its parent company, there is no significant concentration of credit risk.

Bank deposits

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's accounting department in accordance with the Company's policy. The Company evaluates the concentration of credit risk in respect to bank deposit is as low.

Liquidity risk

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintaining a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 December 2011

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	VND		Rs.Crore	
	Less than 3 months	Total	Less than 3 months	Total
As at 31 December 2011				
Trade payables	5,744,829,167	5,744,829,167	1.45	1.45
Advances from customers	22,349,011,145	22,349,011,145	5.64	5.64
Other payables and accrued expenses	1,794,570,224	1,794,570,224	0.45	0.45
	29,888,410,536	29,888,410,536	7.54	7.54
As at 31 December 2010				
Loans and borrowings	5,671,703,413	5,671,703,413	1.43	1.43
Trade payables	6,742,620,125	6,742,620,125	1.7	1.7
Advances from customers	12,195,132,807	12,195,132,807	3.08	3.08
Other payables and accrued expenses	654,243,649	654,243,649	0.17	0.17
	25,263,699,994	25,263,699,994	6.38	6.38

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

20 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the interim financial statements.

	VND					
	Carrying value		Fair value		Fair value	
	31-Dec 2011 Cost	31-Dec 2010 Provision	31-Dec 2011 Cost	31-Dec 2010 Provision	31-Dec-2011 Cost	31-Dec-2010 Provision
Financial assets						
Trade receivables	48,325,998	–	1,143,876,934	–	48,325,998	1,143,876,934
Other receivables	846,585,380	–	1,289,506,314	–	846,585,380	1,289,506,314
Cash and cash equivalents	1,859,981,712	–	529,092,667	–	1,859,981,712	529,092,667
Total	2,754,893,090	–	2,962,475,915	–	2,754,893,090	2,962,475,915
	Rs.Crore					
	Carrying value		Fair value		Fair value	
	31-Dec 2011 Cost	31-Dec 2010 Provision	31-Dec 2011 Cost	31-Dec 2010 Provision	31-Dec-2011 Cost	31-Dec-2010 Provision
Financial assets						
Trade receivables	0.01	–	0.26	–	0.01	0.26
Other receivables	0.21	–	0.30	–	0.21	0.30
Cash and cash equivalents	0.47	–	0.12	–	0.47	0.12
Total	0.69	–	0.68	–	0.69	0.68

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

VND

	Carrying value		Fair value	
	31-Dec 2011	31-Dec 2010	31-Dec 2011	31-Dec 2010
	Cost	Provision	Cost	Provision
Financial liabilities				
Loans and borrowings	–	5,671,703,413	–	5,671,703,413
Payable to a related party	22,349,011,145	12,195,132,807	22,349,011,145	12,195,132,807
Trade payables	5,744,829,167	6,742,620,125	5,744,829,167	6,742,620,125
Other payables	1,794,570,224	654,243,649	1,794,570,224	654,243,649
Total	29,888,410,536	25,263,699,994	29,888,410,536	25,263,699,994

RS.Crore

	Carrying value		Fair value	
	31-Dec 2011	31-Dec 2010	31-Dec 2011	31-Dec 2010
	Cost	Provision	Cost	Provision
Financial liabilities				
Loans and borrowings	–	1.30	–	1.30
Payable to a related party	5.64	2.80	5.64	2.80
Trade payables	1.45	1.55	1.45	1.55
Other payables	0.45	0.15	0.45	0.15
Total	7.54	4.50	7.54	4.50

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

21. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

Nguyen Chi Thanh
Chief Accountant

15 March 2012

Le Quang Hanh
General Director

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