

KAYA SKIN CARE LIMITED

Board of Directors

Mr. Harsh Mariwala, Chairman

Mr. Kishore Mariwala (Until April 27, 2005)

Mr. Rakesh Pandey

Dr. Ravi Mariwala (Appointed w.e.f April 27, 2005)

Company Secretary

Mr. Chirag Pandya (Appointed w.e.f October 11, 2004)

Registered Office

Rang Sharda, Krishnachandra Marg,

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

Auditors

RSM & Co., Chartered Accountants

Internal Auditors

Aneja Associates, Chartered Accountants

Bankers

Citibank N.A.

Website

www.kayaclinic.com

KAYA SKIN CARE LIMITED

DIRECTORS' REPORT

To

The Members

Your Board of Directors ("Board") is pleased to present the Second Annual Report together with audited accounts of your Company for the year ended March 31, 2005.

FINANCIAL RESULTS - AN OVERVIEW

During the year under review, your Company reported a turnover of Rs. 18.56 Crore and an operating loss of Rs. 7.18 Crore, as it continued to invest in the business.

	Year ended March 31,	
	2005	2004
Sales and Services	18.56	4.47
Loss Before Tax	7.18	4.81
Less : Provision for Current Tax for Current Period	–	–
Loss after Current Tax for current period	7.18	4.81
Add: Loss Brought Forward	4.81	–
Loss carried forward	11.99	4.81

DISTRIBUTION TO SHAREHOLDERS

No dividend is being proposed for the year.

REVIEW OF OPERATIONS

In FY04, your Company commenced operations under the banner of Kaya Skin Clinics, offering scientific, unisex dermatological procedures using US FDA approved technology.

Kaya Skin Care procedures are safe and efficacious. All the services offered at Kaya Skin Clinic are designed and supervised by a distributed team of 65 dermatologists and carried out by certified skin practitioners, each with more than 300 hours of training.

Kaya targets high-end customers in SEC A-1 and A-2 with age group of 16-60 years across metros and mini metros in the country. The objective is to provide result-oriented, personalized, non-surgical skin solutions in a serene Zen-like environment.

As part of the solutions, your Company has also launched a range of skin care products, which are the result of extensive skin-care research in derma-cosmetic laboratories based in France, UK & USA. These are not only used during the skin care services but are also available for post service usage as a follow up to the service undertaken at the clinic. All Kaya Skin Clinic Products are dermatological tested and approved for Indian Skin by the Kaya Skin Advisory. The key products are Skin Lightening Complex, Lighten and Smooth Under-eye gel, Daily Moisturizing Sunscreen and Recharging Night crème.

During the year, your Company expanded its operations and by end of the year, 32 Clinics were operational across 11 cities in India. The Kaya concept has been well received by the target consumers. The consumer base has grown beyond 40,000 and 97% of Kaya's clientele rate Kaya's services between good and excellent.

This quick ramp up of clinics resulted in a more than 4-times jump in the services turnover from Rs. 4.16 Crore during FY04 to Rs. 17.13 Crore in FY05. Your Company also sold skin care products aggregating Rs. 1.44 Crore (Rs. 0.30 Crore). The financial model has also started showing results with the operational break even of each clinic being reached within 9 months of operation.

The Kaya Skin Clinic venture is expected to contribute as a strong growth engine of the Marico Group for both top line and bottom line in the years to come. It would also help the Group to move up the value chain in the Personal Care business, through high value add solutions- both services and products in the skin care space.

DIRECTORS' REPORT

CHANGE IN SHAREHOLDING OF YOUR COMPANY

During the year your Company's holding company, Marico Limited purchased the balance 24% stake held by Adil & Associates LLC. Your Company is now a Wholly Owned Subsidiary of Marico Limited.

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 mitigate any wastage.

RESEARCH & DEVELOPMENT (R & D)

During the year under review, your Company continued its efforts to launch new products and services. A new service – Kaya Acne Free – was launched during the year as a result of these efforts. The R&D team also developed 5 new products and your Company also commenced manufacturing these at a new sub-contract location in India, during the year under review. No specific capital or revenue expenditure, was however, incurred on R&D.

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 a 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 outgo during the period is as mentioned in schedule "K".

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:

- (i) in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (ii) 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, 2005 and the loss of your Company for the year ended March 31, 2005;
- (iii) 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;
- (iv) 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.

KAYA SKIN CARE LIMITED

DIRECTORS' REPORT

DIRECTORS

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

Mr. Kishore Mariwala, Director, resigned from the Board of Directors of your Company with effect from April 27, 2005. Your Board places on record its appreciation for the contribution made by Mr. Kishore Mariwala during his tenure. The Board of Directors appointed Dr. Ravi Mariwala as Director in casual vacancy occurred due to resignation of Mr. Kishore Mariwala. Dr. Ravi Mariwala (39 years of age) has done his Doctor of Philosophy in Chemical Engineering from University of Delaware, USA. He is presently Director of Hindustan Polymides & Fibres Limited and Scientific Precision Private Limited in India. He brings with him expertise in research and development. Dr. Ravi Mariwala holds office till conclusion of the ensuing Annual General Meeting and is eligible to be appointed as Director.

RE-CONSTITUTION OF AUDIT COMMITTEE

Consequent to the resignation of Mr. Kishore Mariwala as Director from the Board of Directors of the Company and appointment of Dr. Ravi Mariwala as a Director in the casual vacancy with effect from April 27, 2005, the Audit Committee was re-constituted on that date. The Audit Committee now comprises the following Directors:

Mr. Harsh Mariwala - Chairman of the Committee

Mr. Rakesh Pandey

Dr. Ravi Mariwala (w.e.f. April 27, 2005)

AUDITORS

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

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

Place : Mumbai

Date : April 27, 2005

HARSH MARIWALA

Chairman

KAYA SKIN CARE LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF KAYA SKIN CARE LIMITED

1. We have audited the attached Balance Sheet of **Kaya Skin Care Limited** ('the Company') as at March 31, 2005, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above and subject to paragraph 4, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Act;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
 - ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place: Mumbai
Date: April 27, 2005

ANNEXURE TO AUDITOR'S REPORT

(Referred to in our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and no discrepancies were noticed on such verification during the year.
- (c) The Company has not disposed off a substantial part of fixed assets during the year, and accordingly, going concern is not affected.
- (ii) (a) As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management.
- (b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clauses (b), (c), (d), (f) and (g) of the Order are not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, the internal control procedures for the purchase of inventory and fixed assets and with regard to the sale of finished products and services need to be further strengthened so as to be commensurate with the size of the Company and nature of its business. In our opinion and based on verifications, there are no continuing failure to correct major weaknesses in the internal control system.
- (v) According to information and explanations given to us and based on the disclosure of interest made by the directors of the Company, there are no particulars of contracts or arrangements referred to in section 301 of the Act which need to be entered in the register required to be maintained under that section.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A, 58AA and any other relevant provisions of the Act and the rules framed thereunder are applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for any of the activities of the Company.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom duty, Cess and any other material statutory dues applicable to it during the year with the appropriate authorities and there were no such outstanding dues as at March 31, 2005 for a period exceeding six months from the date they became payable. As explained to us, the provisions of the Investors Education and Protection Fund and Excise duty are not applicable to the Company.
- (b) There are no unpaid disputed amounts of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom duty, Cess and any other statutory dues of the Company as at March 31, 2005.
- (x) Since the Company has been registered for a period of less than five years, clause (x) of the Order is not applicable.

ANNEXURE TO AUDITOR'S REPORT

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

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)
Place: Mumbai
Date: April 27, 2005

KAYA SKIN CARE LIMITED

BALANCE SHEET

	SCHEDULE	As at March 31,	
		2005 Rs. Crore	2004 Rs. Crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	A	10.00	8.80
Advance Against equity		–	0.20
LOAN FUNDS			
Unsecured loan	B	44.19	10.61
DEFERRED TAX LIABILITY			
(Refer Note 9 to schedule L)		–	–
		54.19	19.61
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	C	33.68	13.34
Less : Depreciation and amortisation		3.24	0.95
Net block		30.44	12.39
Capital work-in-progress		6.75	2.09
		37.19	14.48
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	D	2.46	0.41
Cash and bank balances	E	0.84	0.03
Loans and advances	F	7.06	2.39
		10.36	2.83
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	G	5.35	2.51
NET CURRENT ASSETS			
Debit balance in Profit and Loss Account		11.99	4.81
		54.19	19.61
Notes	L		

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman

RAKESH PANDEY Director

CHIRAG PANDYA Company Secretary

Place : Mumbai
Date : April 27, 2005

KAYA SKIN CARE LIMITED

PROFIT AND LOSS ACCOUNT

		For the year ended March 31,	
SCHEDULE		2005	2004
		Rs. Crore	Rs. Crore
INCOME:			
Service Income		17.13	4.16
Sale of products		1.44	0.30
Other income		0.03	0.03
		18.60	4.49
EXPENDITURE:			
Cost of materials	H	3.25	0.88
Operating and other expenses	I	18.31	7.13
Finance charges	J	1.90	0.34
Depreciation and amortisation		2.32	0.95
		25.78	9.30
LOSS BEFORE TAXATION		7.18	4.81
Provision for taxation			
- Current		-	-
- Deferred (Refer note 9 to Schedule L)		-	-
LOSS AFTER TAXATION		7.18	4.81
Balance brought forward			
		4.81	-
LOSS CARRIED TO THE BALANCE SHEET		11.99	4.81
BASIC AND DILUTED EARNINGS PER SHARE		(7.29)	(649.80)

Notes

L

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman

RAKESH PANDEY Director

CHIRAG PANDYA Company Secretary

Place : Mumbai
Date : April 27, 2005

KAYA SKIN CARE LIMITED

CASH FLOW STATEMENT

		For the year ended March 31,	
		2005	2004
		Rs. Crore	Rs. Crore
A)	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit before tax	(7.18)	(4.81)
	Adjustments for:		
	Depreciation and amortisation	2.32	0.95
	Finance charges	1.90	0.34
	Prior period adjustment to Gross Block (Refer note to Schedule C)	0.93	-
	Loss on sale of asset	0.07	-
		5.22	1.29
	Operating profit before working capital changes	(1.96)	(3.52)
	Adjustments for:		
	Increase/ (Decrease) in Inventories	2.05	0.41
	Increase/ (Decrease) in Loans and advances	4.67	2.39
	(Increase)/ Decrease in Current liabilities	(2.84)	(2.51)
		3.88	0.29
	NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	A	(5.84)
		(5.84)	(3.81)
B)	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed assets	(26.20)	(15.43)
	Sale of Fixed assets	0.17	-
		(26.03)	(15.43)
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	B	(26.03)
		(26.03)	(15.43)
C)	CASH FLOW FROM FINANCING ACTIVITIES		
	Loan taken	33.58	10.61
	Equity raised	1.20	8.80
	Advance against equity	(0.20)	0.20
	Finance charges	(1.90)	(0.34)
		32.68	19.27
	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	C	32.68
		32.68	19.27
	NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	A+B+C	0.81
		0.81	0.03
	Cash and cash equivalents - opening balance	0.03	-
	Cash and cash equivalents - closing balance	0.84	0.03

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman

RAKESH PANDEY Director

CHIRAG PANDYA Company Secretary

Place : Mumbai
Date : April 27, 2005

KAYA SKIN CARE LIMITED

SCHEDULES TO BALANCE SHEET

		As at March 31,	
		2005	2004
		Rs. Crore	Rs. Crore
SCHEDULE 'A'			
SHARE CAPITAL			
AUTHORISED:			
10,000,000 Equity shares of Rs. 10 each		10.00	10.00
		10.00	10.00
ISSUED AND SUBSCRIBED :			
10,000,000 (8,800,000) Equity shares of Rs. 10 each fully paid up (Entire share capital (7,600,000 shares) is held by the holding company, viz. Marico Limited, including its nominees)		10.00	8.80
		10.00	8.80
SCHEDULE 'B'			
UNSECURED LOAN			
Loan from the holding company		44.19	10.61
		44.19	10.61

SCHEDULE 'C'

FIXED ASSETS

(Amount in Rs. Crore)

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at April 1, 2004	Additions	Deductions / Adjustments	As at March 31, 2005	As at April 1, 2004	For the Year	Deductions / Adjustments	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Plant and machinery	11.07	15.50	1.20	25.37	0.84	1.88	0.03	2.69	22.68	10.23
Furniture and fittings	2.24	5.83	–	8.07	0.10	0.40	–	0.50	7.57	2.14
Intangible assets										
- Computer software	0.03	0.21	–	0.24	0.01	0.04	–	0.05	0.19	0.02
TOTAL	13.34	21.54	1.20	33.68	0.95	2.32	0.03	3.24	30.44	12.39
Period ended 31.03.2004	–	13.34	–	13.34	–	0.95	–	0.95		
Capital work-in-progress (at cost) including advances on capital account									6.75	2.09
									37.19	14.48

Note: Deductions / Adjustments to gross block include prior period adjustment of Rs. 0.93 Crore (Rs. Nil) and depreciation is net of prior period adjustment of Rs.0.06 Crore (Nil) respectively.

KAYA SKIN CARE LIMITED

SCHEDULES TO BALANCE SHEET

	As at March 31,	
	2005	2004
	Rs. Crore	Rs. Crore
SCHEDULE 'D'		
INVENTORIES		
(At cost, valued and certified by the management)		
Raw materials	0.13	-
Packing materials	0.17	-
Finished products	0.84	0.19
Consumables	1.32	0.22
	2.46	0.41
SCHEDULE 'E'		
CASH AND BANK BALANCES		
Cash on hand	0.21	0.02
Balances with Scheduled banks:		
Current accounts	0.61	-
Fixed / Margin deposits (Against bank guarantees)	0.02	0.01
	0.84	0.03
SCHEDULE 'F'		
LOANS AND ADVANCES		
(Unsecured-considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	2.62	0.64
Deposits	4.44	1.75
	7.06	2.39
SCHEDULE 'G'		
CURRENT LIABILITIES		
Sundry creditors	2.29	1.49
Advances received from customers	0.53	0.10
Book overdraft	0.70	0.59
Other liabilities	0.23	0.02
Interest accrued but not due on loans	1.60	0.31
	5.35	2.51

KAYA SKIN CARE LIMITED

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31,	
	2005	2004
	Rs. Crore	Rs. Crore
SCHEDULE 'H'		
COST OF MATERIALS		
Purchase for resale	0.75	0.43
Raw materials consumed	0.21	–
Packing materials consumed	0.45	–
Consumables	2.49	0.64
(Increase)/Decrease in stocks		
Opening stocks		
- Finished products	0.19	–
Less:		
Closing stocks		
- Finished products	0.84	0.19
	(0.65)	(0.19)
	3.25	0.88
SCHEDULE 'I'		
OPERATING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	4.49	1.54
Contribution to provident fund and other funds	0.09	0.02
Welfare expenses	0.58	0.15
	5.16	1.71
Payments to consultants	1.23	0.67
Travelling, conveyance and vehicle expenses	0.43	0.28
Electricity	0.39	0.19
Rent	1.85	1.11
Insurance	0.09	0.04
Repairs to Machinery	0.09	0.02
Repairs - Others	1.18	0.21
Advertisement and sales promotion	4.84	1.89
[includes prior period adjustment Rs. 0.93 Crore (Nil)]		
Contract manufacturing expenses	0.15	–
Rates and taxes	0.00	0.00
Printing, stationery and communication expenses	0.67	0.22
Legal and professional charges	1.63	0.37
Payment to Auditors	0.02	0.01
Freight	0.17	0.12
Miscellaneous expenses	0.41	0.29
	18.31	7.13
SCHEDULE 'J'		
FINANCE CHARGES		
Other interest	1.76	0.30
Bank and other financial charges	0.14	0.04
	1.90	0.34

KAYA SKIN CARE LIMITED

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'K'

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

Sr No.	Particulars	Unit	Year/period ended	Opening Stock		Production Quantity *	Purchases		Sale		Captive Consumption Quantity	Closing Stock	
				Quantity	Amount in Rs.crore		Quantity	Amount in Rs.crore	Quantity	Amount in Rs.crore		Quantity	Amount in Rs.crore
1	Skin Care Products	Nos.	31.03.2005	2,146	0.19	86,228	11,348	0.75	16,972	1.44	25,637	57,113	0.84
			31.03.2004	-	-	-	5,000	0.43	2,683	0.30	171	2,146	0.19
2	Service Income		31.03.2005	-	-	-	-	-	-	17.13	-	-	-
			31.03.2004	-	-	-	-	-	-	4.16	-	-	-
TOTAL			31.03.2005	2,146	0.19	86,228	11,348	0.75	16,972	18.57	25,637	57,113	0.84
TOTAL			31.03.2004	-	-	-	5,000	0.43	2,683	4.46	171	2,146	0.19

* Processed by others 86,228 numbers (Nil)

SCHEDULE 'K'

B) RAW MATERIALS CONSUMED

Chemicals

Year ended March 31, 2005 Value in Rs. Crore	Period ended March 31, 2004 Value in Rs. Crore
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0.21	-
0.21	-

% Value in Rs.Crores	% Value in Rs.Crores
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C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED

Raw materials

- Imported

- Indigenous

-	-	-	-
100.00%	0.21	-	-
100.00%	0.21	-	-

Consumables

- Imported

- Indigenous

28.13%	0.70	61.92%	0.38
71.87%	1.79	38.08%	0.24
100.00%	2.49	100.00%	0.64

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

Raw Materials

Packing Materials

Consumables

Capital goods

0.06	-
0.53	-
1.96	0.56
6.60	5.24
9.15	5.80

E) EXPENDITURE IN FOREIGN CURRENCY

Travelling and other expenses

0.04	0.01
0.04	0.01

NOTES TO THE ACCOUNTS

SCHEDULE 'L'

NOTES:

- 1) The Company and nature of its operations:

Kaya Skin Care Limited ('Kaya' or the 'Company'), headquartered in Mumbai, India, carries on skin care business through Kaya Skin Clinics. The clinics offer skin care service using scientific, US FDA approved dermatological procedures. Kaya Skin Care Limited is a subsidiary of Marico Limited. The current Kaya clinic set up includes 32 Kaya Skin Clinics operating across various cities in India.
- 2) Summary of significant accounting policies:
 - (a) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on an accrual basis and are in conformity with mandatory accounting standards.
 - (b) Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Pre-operative expenses are also capitalised, where appropriate.
 - (c) Depreciation/Amortisation
 - 1) Tangible assets

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

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

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

Intangible assets comprise computer software which is amortised over the estimated economic useful life of three years as estimated by the management.
 - (d) Inventories
 - 1) Raw material, packing material and consumables are valued at cost.
 - 2) Work – in – process and finished products are valued at lower of cost and net realizable value.
 - 3) Cost is ascertained on weighted average method and in case of finished products includes appropriate manufacturing charges and duties.
 - (e) Research and development

Capital expenditure on research and development is allocated to fixed assets. Revenue expenditure is charged off in the year in which it is incurred.
 - (f) Revenue recognition
 - 1) Income from services is recognized on rendering of the service.
 - 2) Sale of products is recognised on delivery of the products to the customers and is exclusive of sales tax.
 - (g) Retirement benefits

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

KAYA SKIN CARE LIMITED

NOTES TO THE ACCOUNTS

(h) Foreign currency transactions

- Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction.
- Foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account other than the exchange rate differences relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets.

(i) Accounting for taxes on income

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

3) Contingent liabilities:

There are no contingent liabilities as at March 31, 2005 (Rs. Nil)

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 0.78 Crore (Rs. 0.80 Crore) net of advances.

5) Miscellaneous income includes exchange rate gain (net) of Rs. Nil (Rs. 0.01 Crore.)

6) Miscellaneous expenses include donation Rs. 0.00 Crore (Rs. Nil), loss on sale of assets Rs. 0.07 Crore (Rs. Nil), exchange rate loss (net) Rs. 0.01 Crore (Rs. Nil).

7) Since the incorporation of the Company during 2002-03, the business of the Company has been in a development phase. Encouraged by the consumer response to the Company's pioneering offerings in products and services in the skin care category, the Company has focused on building the brand "Kaya" through brisk setting up of a large number of clinics at several locations and has so far set up 32 clinics at 11 locations in about 28 months. In the process, the Company has incurred significant set up costs, primarily advertisement and sales promotion, leading to losses, which have eroded the net worth of the Company as at March 31, 2005. Marico Limited, the Holding Company, will continue to support the Company through funding, including equity infusion, through either fresh funds or conversion of existing loans into equity as it is strategically desirable for Marico. The Company's business is now expected to stabilize and break even at the Profit before Interest and tax level during 2005-06.

Having regard to the above, the accounts of the Company have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets or amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

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

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

(in Rs. Crore)	March 31, 2005 (in Rs. Crore)	March 31, 2004 Deferred tax
liability arising on account of additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	1.47	0.58
Less : Set off of deferred tax asset on carried forward business tax losses and unabsorbed depreciation to the extent of deferred tax liability	1.47	0.58
Balance as on March 31, 2005	<u><u>—</u></u>	<u><u>—</u></u>

KAYA SKIN CARE LIMITED

NOTES TO THE ACCOUNTS

10) Earnings per share:

	March 31, 2005 (in Rs. Crore)	March 31, 2004 (in Rs. Crore)
Profit/ (loss) after taxation	(7.18)	(4.81)
Equity shares outstanding as at the year end	1.00	0.88
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	0.99	0.01
Nominal value per equity share (Rs.)	10	10
Basic and diluted earnings per equity share (Rs.)	(7.29)	(649.80)

11) The Company is engaged in providing specialized skin care services, which as per Accounting Standard – 17 'Segment Reporting' issued by the Institute of the Chartered Accountants of India, is considered the only reportable business segment. There is no geographical segment, since the Company operates only in India.

12) Related Party disclosures

Holding Company: Marico Limited

Nature of transactions:	March 31, 2005 (in Rs. Crore)	March 31, 2004 (in Rs. Crore)
i. Unsecured loan	44.19	10.61
ii. Interest accrued but not due	1.60	0.31
iii. Interest on Loans / Advance	1.74	0.31
iv. Expenses allocated from holding company	0.54	0.11
v. Equity Share Capital [1,000,000 (7,600,000) Equity shares of Rs. 10 (Rs. 10) each]	10.00	7.60

Shareholder: M/s. Adil & Associates, LLC *

Nature of transactions:	March 31, 2005 (in Rs. Crore)	March 31, 2004 (in Rs. Crore)
Equity Share Capital (Nil (1,200,000) Equity shares of Rs. 10 (Rs. 10) Each)	Nil	1.20

* The shareholding acquired by the holding company during the year.

Other related parties which are companies under the same management, however, with whom the Company did not have any transactions:

- a) Marico Bangladesh Limited (fellow subsidiary)
- b) MBL Industries Limited (fellow subsidiary)
- c) Sundari Spa LLC (fellow subsidiary)
- d) Rakesh Pandey (Director and Manager)

13) The figures in brackets represent those of the previous period which consists of March 27, 2003 to March 31, 2004. The figures for the previous period have been regrouped where necessary to confirm to current year classification.

KAYA SKIN CARE LIMITED

NOTES TO THE ACCOUNTS

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

a) **Registration details:**

Registration No. : 11-139763
 State code : 11
 Balance Sheet Date : March 31, 2005

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

Public Issue Nil
 Bonus Issue Nil
 Bonus Preference Shares Nil
 Rights Issue Nil
 Private placement 1.20

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

Total Liabilities 59.54
 Total Assets 59.54

Sources of Funds

Paid up Capital 10.00
 Advance against equity Nil
 Reserves & Surplus Nil
 Secured Loans Nil
 Unsecured Loans 44.19
 Deferred Tax Liability Nil

Application of Funds

Net Fixed Assets 37.19
 Investments Nil
 Net Current Assets 5.01
 Misc. Expenditure Nil
 Debit Balance in Profit & Loss A/c 11.99

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

Turnover (Sales & Other Income) - 18.60
 Total Expenditure - 25.78
 Profit/ (loss) before Tax - (7.18)
 Profit/ (loss) after Tax - (7.18)
 Earnings per share (in Rs.) - (7.29)
 Dividend rate (%) - Nil

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

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

Signatures to Schedule A to L

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman

RAKESH PANDEY Director

CHIRAG PANDYA Company Secretary

Place : Mumbai

Date : April 27, 2005