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# MARICO BANGLADESH LIMITED

## **Board of Directors**

Harsh Mariwala, Chairman  
Debashish Neogi, Managing Director  
Milind Sarwate, Director  
Vijay Subramaniam, Director  
Kunal Gupta, Director  
Iqbal Chowdhury, Company Secretary

## **Audit Committee**

Debashish Neogi, Chairman  
Vijay Subramaniam, Member  
Kunal Gupta, Member  
Iqbal Chowdhury, Secretary

## **Chief Financial Officer**

Souvik B. Mazumdar

## **Head of Internal Auditor**

Balaji K.S.

## **Registered Office**

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

## **Factory**

Mouchak, Kaliakoir, Gazipur

## **Auditors**

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

## **Legal Advisors**

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

## **Principal Bankers**

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

## **Websites**

[www.maricobd.com](http://www.maricobd.com)  
[www.marico.com](http://www.marico.com)  
[www.kayaclinic.com](http://www.kayaclinic.com)

## CHAIRMAN'S LETTER TO SHAREHOLDERS

A Personal Message

Dear Shareholders,

Your Company, Marico Bangladesh Limited, has undergone a change in its shareholding structure in the year under report. On the auspicious day of 16th September, the company went public and its shares were listed on the DSE and CSE. We feel humbled by the great enthusiasm we observed amongst investors when the Company's subscription was opened. I take this opportunity to thank you and congratulate you all.

From FY 04 to FY 08, your Company maintained a top line CAGR of 33%. In fiscal year 2009, the overall growth of GDP was 5.9%, which was lower than the 6.2% growth in fiscal year 2008. Despite this drop in economy, your Company has well managed its robust performance with a top line year on year growth of 53% in FY 08-09.

Your Company is well focused on maintaining a high rate of growth. This will be continued by expansion of its market share of brands which already have strong presence in the market. Your Company plans to launch first Kaya Skin Care Clinic in Bangladesh by early 2010. In India, Kaya is operated as a separate company under Kaya Limited. For the first time, it will be operated under Your Company in Bangladesh. Based on the response to the first clinic, your Company will decide on its expansion plan. Kaya is expected to reach the Break Even Point within three to four years of period.

It gives me immense pleasure to inform you all that your Company has achieved the ISO 9001-2008 certification on October 26, 2009. This certification has enhanced Your Company's image amongst all our stakeholders.

The strengths that have aided us in attaining our past achievements are expected to help us preparing for the future. We remain committed in reaping long term value for our investors through value propositions to consumers, widening of retail reach, excellence in operations, innovative technology and continuous effort in brand building.

Thank you for believing in your Company. I also thank the members of Marico Bangladesh Limited and all its associates, whose dedication and ingenuity has fuelled our progress. I look forward to continuous support from all as we steer the Company further ahead on the path of sustainable profitable growth.

With best wishes for a rewarding year,



**Harsh Mariwala**

Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

The report has been presented in line with the requirements of Sec 184 of The Companies Act, 1994, SEC Notification, Listing Regulations of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). This discussion covers the financial results and other developments during October'08 - September'09 in respect of Marico Bangladesh Limited (hereinafter referred to as "Marico")

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

### Industry Structure and Development

The Fast Moving Consumer Goods (FMCG) sector, comprises goods of daily use like soaps and detergents, personal care products, food & beverages, oils and dairy products.

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

The FMCG Industry caters to the needs of the consumers located across the country and deep in its heartland through a well developed and efficient supply chain model comprising C&F Agents, distributors, wholesalers and retailers. With access to the rural economy gradually improving with investments in physical infrastructure, it is likely that it shall continue to be the focal point of interface of the FMCG companies with the retail consumer.

The consumer aspires to reach a level of consumption that commensurates with the consumption pattern of those in more developed economies even as he is cautious about extravagance and over indulgence. This provides the FMCG companies with opportunities for growing the market.

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

### Opportunities and Threats

- **Demographic profile**

The country has a population in excess of 150 million. This provides the FMCG companies with a large consumer base. The median age continues to be in mid to late twenties. The youth of today is conscious of the importance of being well groomed and looking good. With increasing focus on education and empowerment of women, their lifestyle and propensity to consume is undergoing a change; they are becoming more fashion conscious and open to experimenting with new products

- **Urban economy**

Rapid urbanization has resulted in large markets getting concentrated in urban centers. Increasing disposable incomes and exposure to media have shaped aspirations of the urban consumer while consumerism has led to satisfaction of wants. Availability of credit and changed mindset towards consumption has further fuelled the demand for consumables.

The high growth trajectory in the urban economy of the past few years has shown some slowdown on account of the global economic crisis, particularly for discretionary spending. However, the impact has been muted for items of daily consumption

- **Rise of the rural economy**

The economic scenario in the country has undergone a change in the recent past. Nearly two-thirds of the Bangladesh population resides in sub-urban and rural villages and mainly practices agriculture besides trading activities. With the facilities and government subsidies in inputs of agriculture, diversification from basic farming to fisheries, poultry, live stocks, dairies and organized branded marketing of several of these items continues to keep the rural economy in good circulation. Rural Bangladesh now forms a sizeable share of the demand for FMCG products, consumer durables and consumer discretionary products.

## MANAGEMENT DISCUSSION AND ANALYSIS

Increased spending power of the rural people coupled with relatively lower degree of penetration of branded FMCG products in these markets, have provided the Industry players with an opportunity to drive growth. Established Brands are tapping in to the rural economy to encourage up-trading by the consumer from unbranded products to branded ones with assured quality and purity

- **Lifestyle and awareness**

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

Products aimed at delivering healthy lifestyle solutions have been introduced to woo the health conscious consumers.

- **Branded solutions sector**

The increase in the propensity to consume and the increasing consciousness for adopting healthy lifestyle offerings have led to the development of branded solutions including leveraging of existing brand identities and creating extensions around them.

The quality conscious consumer is willing to pay premium for effective solutions, improved services and a superior experience.

The focus is to provide consumers with a holistic solution for their needs in the form of a consolidated offering of various products and services.

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

GDP growth for last 5 years reveals that economy of Bangladesh has been growing at steady rate of 5-6 percents. Foreign exchange remittance has increased (by migrant workers and NRBs) rapidly and touched almost US\$10 billion in recent past. This has had a positive impact on demand side on mass consumption especially in the rural areas, which are major recipients of overseas remittances. Moreover, growing disposable incomes and increased media exposure are ushering in a revolution in consumer behavior, presenting exciting growth opportunities for companies. Despite the global economic recession, the growth of demand in the rural market especially in FMCG space was phenomenal. Marico is well represented across the price spectrum and has been able to perform well despite relatively soft macro conditions.

### Risks & Concerns

- **Input Costs**

Commodity prices are often linked to international indices and volatility in these benchmarks causes fluctuations in the product prices.

The past 2 years have witnessed a wide fluctuation in the price of commodities. Crude Oil touched a record high of USD 140 per barrel before crashing to below USD 50 per barrel. Similar volatility was experienced in other commodities. The overall level of uncertainty in the environment has gone up.

Input costs comprise nearly 60% of the production costs in the FMCG sector. Inflationary tendencies in the economy directly impact the input costs and could create a strain on the operating margins of the FMCG companies. Brands with greater equity may find it easier to adjust prices in line with fluctuating commodity prices and input costs.

- **Competition**

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

- **Product innovation and new product launches**

Success rate for new product launches in the FMCG sector is low. Superior consumer understanding and differentiated propositions are major priorities that the sector needs to focus in order to minimise the risk and cost involved in such

## MANAGEMENT DISCUSSION AND ANALYSIS

initiatives. Marico has adopted the prototyping approach to new product introductions that helps maintain a healthy pipeline and at the same time limits the downside risks

- **Discretionary spending / Down trading**

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

### Internal Control Systems and Adequacy

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

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

Marico has appointed Mr. Balaji K.S. as Head of Internal Audit. He coordinates and supervises all internal control systems. We have two internal auditors- M/s Hossain Farhad & Co., a local Chartered Accountant Firm who conducts audit throughout the year and M/s Aneja Associates, a Chartered Accountant Firm of India, who are the internal auditors of the parent company.

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

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

### Human Resources & Development

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

The organization believes that great people deliver great results and lay foundation for the sustainable profitable growth.

The organization lays emphasis on recruiting right talent. It believes in recruiting the talent not for present but for future.

It has recently started with its campus program. The focus is to recruit the best talent from the premier institutes of the country. The organization believes in grooming the talent by providing challenge and early responsibility at work. A strong business linkage of all Human Resource processes and initiatives are maintained at Marico. The organization has created a favorable work environment that motivates performance. Marico has a process of performance enhancement through deployment of MBR (Management By Results) to create an environment of challenge and stretch. It is also linked to a variable element of performance based compensation.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Marico always welcomes openness and transparency. Every year a program, "Organization Communication" (OC), is held in which every member attends. Apart from performance reviews and plans ahead, OC includes motivational speakers, recognition for Outstanding Performances by Members etc. OC involves a session recognized as open house, where any member can raise any query. These queries lead to greater transparency and accountability. Marico makes sure that "Marico Values" and beliefs are practiced.

Marico believes in member empowerment. A member is always encouraged to be forthcoming in sharing ideas. Such practices have led to constant innovation in Marico. This year with the IPO launch, 0.5% of the issue was set aside for its employees. This is not only a boost to the spirit, it has also raised the feeling of ownership in members and reinforced the need to keep moving towards better performance and make stake holder value creation /enhancement an ongoing process.

Every year, Marico organizes a Mid Year Review. In this occasion, a comprehensive analysis is done by the head of functions and the sales team on where the organization stands in terms of reaching the concerned year's goals. Detailed reporting is done along with analysis of what needs to be done in the future, or what initiatives can be taken.

As on September 30, 2009, the employee strength of Marico Bangladesh was 93.

### Brands and Marketing

The company's flagship brand Parachute turned in very healthy volume growth during the year. Parachute Advanced and Parachute Beliphool Light both saw a very active year.

In the soap portfolio, Aromatic Gold & Camelia faced stiff competition and cost push due to global price hike of inputs. Both the brands are being sustained for future growth.

The company is now moving towards the mass market with a comprehensive marketing plan under its motivated marketing team. "Parachute" its flagship brand has attained dominant leadership position in the coconut oil category and is synonymous with pure coconut oil in the market. Last year, its market share has improved by 3% which now stands at 75% in branded coconut oil. After acquiring soap brands "Aromatic" and "Camelia" the company re-launched: "Aromatic" by rebranding it as "Aromatic Gold" though it is yet to achieve high brand recognition as compared to its competitors. The entire marketing campaign involves communication plans, embracing television, print media and bill boards throughout the length and breadth of the country.

### Distribution

Distribution facilities and timely reach of products to consumers is one of the key strengths of a FMCG company. Marico has a full-fledged distribution channel. Currently, the company has a good distribution network coverage comprising its own four depots and distribution partners across the country, in order to keep sufficient level of products available all around the country. These four depots are located at Gazipur, Chittagong, Jessore and Bogra enabling a strong presence across the country, both in rural and urban areas. Marico's own sales professionals support and scrutinize the entire distribution channel. At present, there are 320 distribution partners all over the country. Marico's own employees like RSM (Regional Sales Manager), ASM (Area Sales Manager) and ASE (Area Sales Executive) physically monitor and rigorously control the distributors' functions from time to time.

Uncommon Sense is what we believe in, hence it is no surprise that a significant chunk of Marico's soap sale is generated by non-traditional sales channels – which include cycle distribution, partnering with self help groups in rural areas, Gram Shebok, direct selling etc.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capacity Building

Investments were made in building capacity. Two new tanks of capacity 1000 kl and 500 kl have been erected. Augmentation of capacity has been necessitated by increase in demand coupled with necessity of maintaining buffer stocks for better risk management.

### Quality Assurance

Quality & good manufacturing practices along with following legal parameters dictating quality aspects, as laid out by regulatory bodies, Marico practices Q-CERT, an inhouse Quality Assurance model developed on the lines of ISO 9000. This allows consistent quality of products. Q-CERT aids in minimising break downs while supporting maximum possible output. Further, such initiatives have helped Marico in preventing accidents and curtailing overhead costs.

The company has strong focus on the quality control of its products. All products are in accordance to BSTI's given parameters. Marico ensures quality of product through inspection and surveillance. Standard Operating Procedures (SOP) for every step of the production process are followed, enabling Marico to acquire ISO certification in an astounding four months period. On October 26, 2009, Marico successfully received ISO 9001-2008 certification for its continual improvement of the Quality Management System. Marico places great emphasis on managing quality control and careful steps are taken to ensure that the standard of the products provided to its customers are consistent, reliable and meets their needs.

Marico practices good Housekeeping & Good Manufacturing Practices (GMP) at its factory sites. Housekeeping helps to maintain a healthy environment. Housekeeping means keeping the right object in the right place and removing unwanted objects from the work place. This is pivotal in maintaining quality of finished goods and in order to keep a clean environment for labors to work.

### Technology in Marico

The entire sales commercial, factory commercial, finance operation runs through SAP based integrated ERP system. Use of this package makes it possible to track and manage, in real-time, sales, production, finance & accounting and human resources in an enterprise.

eVAT is another milestone initiative that saves paperwork and time. VAT is processed at the factory on eVAT software where all the transactions are recorded and processed. A hard copy of VAT Register is maintained where transactions are recorded and VAT is calculated, manually. The VAT Register is needed for reference by VAT officials.

In most of the metro cities, the sales representatives or rather known as Distributor's Sales Men (DBSMs) carry Personal Digital Assistant (PDA), which makes the sales process much more efficient. PDA is installed with a software that makes the sales process easier for both retailers and DBSMs. The PDA has been customised so that the medium of interface is in Bengali. Such a PDA assists DBSMs in recalling all the brands, SKUs and aids in seeing whether sufficient stock is available or not.

### Corporate Social Responsibility (CSR)

- **Traffic Umbrella**

Umbrellas were given to traffic policemen in Dhaka and Chittagong as a part of CSR initiatives being undertaken by Marico. Marico tied up with the Metropolitan Police to provide umbrellas as shelters for these policemen. Marico handed over 200 umbrellas for traffic police Dhaka Metropolitan Police. The event took place at the Police Headquarter, Dhaka. Inspector General of Police Mr. Nur Mohammad along with other senior police officials were present at the event.

- **Contribution for Flood Victims**

BDT 11.10 lac (Marico contributed Tk. 10 lac and remaining amount Tk. 1.10 Lac was contributed by the members) was handed over to the Chief Advisor of the Caretaker Government of Bangladesh for flood affected people.

- **Contributions to the "Shorkari Shishu Poribar"**

Marico donated 300 packs of Parachute, Aromatic and Camelia to the children at "Shorkari Shishu Poribar".



## MANAGEMENT DISCUSSION AND ANALYSIS

- **Contribution to the SIDR Affected**

Bangladesh was badly hit by cyclone SIDR. Marico & its Members donated quilts worth Tk 3 lac in Jhalokathi, Barisal Division. Marico has given quilts to army for proper distribution of the same to the affected people.

### **Marico Performance in the year**

Marico Bangladesh Limited recorded a turnover of Tk. 406 crore for the year ended 30th September, 2009 (FY 08-09), a growth of 53% over the previous year. Profit Before Tax (PBT) during the year was Tk. 58 crore, while the Profit After Tax (PAT) was at Tk. 47 Crore, a growth of 35% and 76% over the previous year PBT and PAT respectively.

Financial results for the company are summarised in the following chart.

<b>Particulars</b>	<b>September 30, 2009 BDT in Crore</b>	<b>September 30, 2008 BDT in Crore</b>	<b>% Change</b>
Revenue	405.67	265.89	53%
Profit before tax	57.95	42.87	35%
Tax expense	10.86	16.14	-33%
Net profit	47.09	26.73	76%
Dividend	7.88	3.15	150%
Shareholders' equity	157.07	84.78	85%
Net fixed assets	34.92	39.83	-12%
Earnings per share (EPS)	16.45	9.43	74%

During the year, the company has written off deferred expenses to the tune of Tk. 6.63 crore, which has led to substantial increase in General and Administration Expenses.

Below are comparative figures of key parameters of Marico:

<b>Particulars</b>	<b>September 30, 2009</b>	<b>September 30, 2008</b>
Net Asset Value (NAV)	TK. 49.86	TK. 26.90
Net Operating Cash Flow Per Share (NOCFPS)	TK. 21.65	TK. 16.57
PBT as a % of Sales	14.28%	16.12%
PAT as a % of Sales	11.60%	10.05%

It may be noted that Marico has surpassed its deliverables more than what was projected in the prospectus for FY 08-09 in following manner:-

<b>FY 08-09</b>	<b>Actual</b>	<b>Projection</b>
Sales (Tk. In Crore)	406	338
PBT (Tk. In Crore)	58	55
PAT (Tk. In Crore)	47	41
EPS (Tk.)	16.45	13.81

On Behalf of the Board of Directors

**Harsh Mariwala**  
Chairman

**Debashish Neogi**  
Managing Director

## CORPORATE GOVERNANCE COMPLIANCE REPORT

Marico Bangladesh Limited adheres to good Corporate Governance principles, as described on pages 18 to 21.

The Company has also complied with all the requirements of Corporate Governance as guided by the Securities and Exchange Commission. Accordingly, Corporate Governance Compliance Report is shown in the Annexure-II of this report.

### Financial Results and Appropriations

The Directors are pleased to report the financial results for the year ended September 30, 2009 and recommended the following appropriations:-

	Sep 30, 2009 Taka	Taka in Crore Sep 30, 2008 Taka
Profit before taxation	57.95	42.87
Less: Provision for tax	10.86	16.14
Profit after tax	47.09	26.73
Less : appropriations		
dividend	7.88	3.15
Total appropriation	7.88	3.15
Un-appropriated profit C/F	39.21	23.58

### Dividend

Based on the performance of the company, the Board of Directors recommended cash dividend @ 25% for the year ended September 30, 2009. Total Dividend for the year amounting to Tk. 7.88 Crore, which is 150% higher than the dividend amount, paid in the previous year.

### Contribution to National Exchequer

During the year under review your Company paid Tk. 90.94 Crore to the National Exchequer in the form of Corporate Income Tax, Customs Duties, Supplementary Duties and VAT.

### Recommendations for Re-Election

The Directors who retire by rotation in accordance with Articles 98, 99, 100 and 107, are Harsh Mariwala and Milind Sarwate. Harsh Mariwala and Milind Sarwate, being eligible for re-election are recommended by the Board of Directors.

### Reserves

The total reserves of the company stood Tk. 100.37 Crore.

### Subsequent Events after Balance Sheet Date

No events have occurred since the balance sheet date other than cash dividend declaration, which would require adjustment or disclosure in the financial statements. The declaration of cash dividend has been included in note 38 of financial statements.

### Shareholder Information

The distribution of shareholding in different categories is given on page 21.

### Appointment of Auditors

The auditors, M/s Rahman Rahman Huq, Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting and being eligible under Section 210 of the Companies Act, 1994 read with Securities and Exchange Commission Order No. SEC /CFD-71/2001/Admin/02/05 dated January 03, 2002, offered themselves for re-appointment with Audit Fees of Tk. 300,000.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

### Management Appreciation

The members of the Board of Directors would like to take this opportunity to express their heartfelt thanks to all stakeholders such as Employees, Customers, Consumers, Banks and Financial Institutions, Regulatory Bodies, Auditors, SEC, DSE, CSE, CDBL, ISSL, Business Associates and finally the Shareholders for their immense support and contribution towards the success of the company.

On Behalf of the Board of Directors

**Harsh Mariwala**  
Chairman

**Debashish Neogi**  
Managing Director

## DIRECTORS' REPORT

### To the Members

The Board of Directors ("Board") is pleased to present the First Annual Report of Your Company, Marico Bangladesh Limited for the year ended September 30, 2009 ('the year under review', 'the year', or 'FY08-09').

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 Beliphool, Aromatic Gold, Camelia, Parachute Advansed etc.

### Review of Business

The chairman's letter on page 02 and the Management Analysis on pages 05 to 10 states the company's affairs and highlights important events that occurred during the year.

### Listing

Your Company has become publicly listed through Initial Public Offer (IPO) of its equity shares during the year under discussion. The company initially issued 5% of its paid up capital at a price of Tk. 90 per share (including premium of Tk. 80 per share). Later on, Marico exercised "Green Shoe Dilution Option", a first in the history of Bangladesh capital market and diluted another 5% for retail investors of the country. Out of 10% dilution, Marico has allotted 152,250 shares to its employees which are under lock-in for 3 years in a staggered way.

The issue was well received by investors with tremendous response resulting in oversubscription by more than 10 times. On the very first day of its trading, share price touched an intra-day high of Tk. 368 per share for that day and was second highest traded share in terms of value/turnover amounting to Tk. 325.811 million.

### Launch of Kaya Skin Care Clinic

Marico group entered the business of offering dermatology led cosmetic skin care solutions in India in 2003 through Kaya Skin Care Clinics. Marico group was the first organized player in this segment and enjoys benefits of scale and operations. Kaya has a first mover advantage in introducing cosmetic dermatology in India. Through specialized skin care services (beauty enhancement, problem-solution and anti ageing) using world class FDA approved technology adapted for relevant skin type, Kaya has been able to offer its consumers highly efficacious solutions and a refreshing experience globally. Kaya has become the leading skin care services brand with 100 clinics overall in India and Middle East (85 clinics in India across 25 cities and 15 clinics in the Middle East across 9 cities). Over 600,000 customers have availed services at Kaya Skin Clinic. Kaya now has over 250 dermatologists associated with it.

Your Company expects to open first clinic in Bangladesh by early 2010. It is also considering opening more clinics basis on the response to the initial offering. In this regard, the unit will be in an investment mode for next 3-4 years.

### ISO 9001:2008 Certificate

Your Company has received ISO 9001:2008 Certificate, for its quality management system. US based Orion Registrar Inc. has handed over the certificate to the company.

### Parachute Awarded as 2nd Best Brand

"Parachute" is awarded as the 2nd Overall Most Trusted Brand out of 1,796 Brands across categories of consumer durables and non-durable products and services (both local and MNCs) operating in Bangladesh and the Best Brand in its category in 2009 by Bangladesh Brand Forum, affiliated with Global Brand Forum, Singapore.

### Corporate and Financial Reporting Framework

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

## DIRECTORS' REPORT

- (a) The financial statement together with the notes thereof have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the company's state of affairs, the results of its operations cash flow and changes in equity.
- (b) Proper books of account of the company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
- (d) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- (e) The systems of internal controls are sound and have been effectively implemented and monitored effectively.
- (f) There are no significant doubts upon 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.

### Corporate Governance Compliance Report

Marico Bangladesh Limited adheres to good Corporate Governance principles, as described on pages 18 to 21.

The Company has also complied with all the requirements of Corporate Governance as guided by the Securities and Exchange Commission. Accordingly, Corporate Governance Compliance Report is shown in the Annexure-II of this report.

### Financial Results and Appropriations

The Directors are pleased to report the financial results for the year ended September 30, 2009 and recommended the following appropriations:-

	Sep 30, 2009	Taka in Crore Sep 30, 2008
	Taka	Taka
Profit before taxation	57.95	42.87
Less: Provision for tax	10.86	16.14
Profit after tax	47.09	26.73
Less: appropriations dividend	7.88	3.15
Total appropriation	7.88	3.15
Un-appropriated profit C/F	39.21	23.58

### Dividend

Based on the performance of the company, the Board of Directors recommended cash dividend @ 25% for the year ended September 30, 2009. Total Dividend for the year amounting to Tk. 7.88 Crore, which is 150% higher than the dividend amount, paid in the previous year.

### Contribution to National Exchequer

During the year under review Your Company paid Tk. 90.94 Crore to the National Exchequer in the form of Corporate Income Tax, Customs Duties, Supplementary Duties and VAT.

### Recommendations for Re-Election

The Directors who retire by rotation in accordance with Articles 98, 99, 100 and 107, are Harsh Mariwala and Milind Sarwate. Harsh Mariwala and Milind Sarwate, being eligible for re-election are recommended by the Board of Directors.

## **DIRECTORS' REPORT**

### **Reserves**

The total reserves of the company stood Tk. 100.37 Crore.

### **Subsequent Events after Balance Sheet Date**

No events have occurred since the balance sheet date other than cash dividend declaration, which would require adjustment or disclosure in the financial statements. The declaration of cash dividend has been included in notes 38 of financial statements.

### **Shareholder Information**

The distribution of shareholding in different categories is given on page 21.

### **Appointment of Auditors**

The auditors, M/s Rahman Rahman Huq, Chartered Accountants, will retire at the conclusion of ensuing the Annual General Meeting and being eligible under Section 210 of the Companies Act, 1994 read with Securities and Exchange Commission Order No. SEC /CFD-71/2001/Admin/02/05 dated January 03, 2002, offered themselves for re-appointment with Audit Fees of Tk. 300,000.

### **Management Appreciation**

The members of the Board of Directors would like to take this opportunity to express their heartfelt thanks to all stakeholders such as Employees, Customers, Consumers, Banks and Financial Institutions, Regulatory Bodies, Auditors, SEC, DSE, CSE, CDBL, ISSL, Business Associates and finally the Shareholders for their immense support and contribution towards the success of the company.

On Behalf of the Board of Directors

**Harsh Mariwala**

Chairman

**Debashish Neogi**

Managing Director

## AUDITORS' REPORT

To

The Shareholders of Marico Bangladesh Limited

We have audited the accompanying balance sheet of Marico Bangladesh Limited (the "Company") as at 30 September 2009 and the related profit and loss account, statement of changes in equity and statement of cash flow and a summary of significant accounting policies and other explanatory notes for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope:

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

Opinion:

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as at 30 September 2009 and of the results of its operations and cash flows for the year then ended and comply with the applicable sections of 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of accounts; and
- d) the expenditure incurred was for the purposes of the company's business.

**Rahman Rahman Huq**

Place : Dhaka

Date : 23 December 2009

**Auditor**

MARICO BANGLADESH LIMITED

**BALANCE SHEET**

		As at September 30,			
	Notes	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipments					
Cost	4	358,129,851	305,885,167	24.96	21.01
Less: Accumulated depreciation		87,168,786	65,647,625	6.08	4.51
		<u>270,961,065</u>	<u>240,237,542</u>	<u>18.89</u>	<u>16.50</u>
Asset under construction	5	65,000,000	65,000,000	4.53	4.47
Intangible assets	6	12,610,744	15,298,714	0.88	1.05
Deferred tax assets	17	609,231	–	0.04	–
Other assets	7	–	77,791,645	–	5.34
		<u>78,219,975</u>	<u>158,090,359</u>	<u>5.45</u>	<u>10.86</u>
<b>Total non-current assets</b>		<u>349,181,040</u>	<u>398,327,901</u>	<u>24.34</u>	<u>27.36</u>
<b>Current assets:</b>					
Inventories	8	455,461,843	175,874,007	31.75	12.08
Goods in transit		179,072,508	193,876,114	12.48	13.32
Accrued interest	9	48,406,023	4,150,411	3.37	0.29
Trade debtors	10	–	4,208,637	–	0.29
Investments	11	100,000,000	100,000,000	6.97	6.87
Advances and deposits	12	41,474,311	120,589,326	2.89	8.28
Advance income tax	13	86,021,441	47,758,202	6.00	3.28
Fixed deposit	14	1,037,340,522	280,000,000	72.30	19.24
Cash and cash equivalents	15	238,727,661	164,701,711	16.64	11.32
<b>Total current assets</b>		<u>2,186,504,309</u>	<u>1,091,158,408</u>	<u>152.40</u>	<u>74.97</u>
<b>Total assets</b>		<u>2,535,685,349</u>	<u>1,489,486,309</u>	<u>176.74</u>	<u>102.33</u>
<b>Equity and liabilities</b>					
<b>Shareholders equity</b>					
Share capital	16	315,000,000	90,000,000	21.96	6.18
Proposed dividend		–	31,500,000	–	2.16
Share premium		252,000,000	–	17.56	–
Accumulated profit		1,003,704,892	726,339,799	69.96	49.90
<b>Total shareholders equity</b>		<u>1,570,704,892</u>	<u>847,839,799</u>	<u>109.48</u>	<u>58.25</u>
<b>Non-current liabilities</b>					
Deferred tax liability	17	–	8,290,921	–	0.57
Provision for gratuity		7,112,926	2,235,457	0.50	0.15
<b>Total non-current liabilities</b>		<u>7,112,926</u>	<u>10,526,378</u>	<u>0.50</u>	<u>0.72</u>
<b>Current liabilities</b>					
Short term loan	18	77,179,122	30,766,667	5.38	2.11
Liability for expenses	19	275,044,840	189,308,845	19.17	13.01
Interest payable		193,000	–	0.01	–
Income tax payable	20	168,272,288	172,667,019	11.73	11.86
Trade creditors	21	341,116,259	190,018,426	23.78	13.05
Payable to holding company	22	70,682,949	45,016,335	4.93	3.09
Other liabilities	23	25,379,072	3,342,840	1.77	0.23
<b>Total current liabilities</b>		<u>957,867,530</u>	<u>631,120,132</u>	<u>66.76</u>	<u>43.36</u>
<b>Total equity and liabilities</b>		<u>2,535,685,349</u>	<u>1,489,486,309</u>	<u>176.74</u>	<u>102.33</u>

The accompanying notes 1 to 39 form an integral part of these financial statements.

**Iqbal Chowdhury**  
Company Secretary

**Kunal Gupta**  
Director

**Debashish Neogi**  
Managing Director

As per our annexed report of same date

Dhaka, 23 December 2009

**Rahman Rahman Huq**  
Auditor

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.687 / Taka)



MARICO BANGLADESH LIMITED

**PROFIT AND LOSS ACCOUNT**

	Notes	Year ended September 30,			
		2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>Turnover</b>	24	4,056,700,695	2,658,852,912	282.75	182.66
Cost of goods sold	25	(2,979,011,189)	(1,879,585,931)	(207.64)	(129.13)
<b>Gross profit</b>		<b>1,077,689,506</b>	<b>779,266,981</b>	<b>75.11</b>	<b>53.54</b>
<b>Operating expenses</b>					
Selling and distribution expenses	26	(278,070,756)	(210,209,088)	(19.38)	(14.44)
General and administration expenses	27	(304,647,656)	(155,914,243)	(21.23)	(10.71)
		(582,718,412)	(366,123,331)	(40.61)	(25.15)
<b>Profit from operation</b>		<b>494,971,094</b>	<b>413,143,650</b>	<b>34.50</b>	<b>28.39</b>
Interest expense	28	(6,869,004)	(5,965,403)	(0.48)	(0.41)
<b>Profit after interest expense</b>		<b>488,102,090</b>	<b>407,178,247</b>	<b>34.02</b>	<b>27.98</b>
Other income	29	91,395,512	21,551,307	6.37	1.48
<b>Profit before taxation</b>		<b>579,497,602</b>	<b>428,729,554</b>	<b>40.39</b>	<b>29.46</b>
Tax (expenses) / income					
Current tax		(117,532,661)	(159,329,730)	(8.19)	(10.95)
Deferred tax		8,900,152	(2,113,118)	0.62	(0.15)
		(108,632,509)	(161,442,848)	(7.57)	(11.10)
<b>Net profit</b>		<b>470,865,093</b>	<b>267,286,706</b>	<b>32.82</b>	<b>18.36</b>
<b>Earnings per share (EPS)</b>	30				
Basic earnings per share (per value Tk 10)		16.45	9.43		

The accompanying notes 1 to 39 form an integral part of these financial statements.

**Iqbal Chowdhury**  
Company Secretary

**Kunal Gupta**  
Director

**Debashish Neogi**  
Managing Director

As per our annexed report of same date

Dhaka, 23 December 2009

**Rahman Rahman Huq**  
Auditor

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.687 / Taka)

MARICO BANGLADESH LIMITED

**CASH FLOW STATEMENT**

	Year ended September 30,			
	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>A) Cash flows from operating activities</b>				
Collection from customers	4,080,838,737	2,763,342,876	284.43	189.84
Payment to suppliers and operating expenses	(3,283,774,414)	(2,222,380,658)	(228.88)	(152.68)
Interest paid	(6,676,003)	(5,965,403)	(0.47)	(0.41)
Interest received	51,841,611	18,040,417	3.62	1.25
Income tax paid	(160,190,630)	(31,144,537)	(11.17)	(2.15)
<i>Net cash from operating activities</i>	<b>682,039,301</b>	<b>521,892,695</b>	<b>47.55</b>	<b>35.85</b>
<b>B) Cash flows from investing activities</b>				
Acquisition of fixed assets	(71,906,162)	(85,669,459)	(5.01)	(5.89)
Sale of investment in subsidiaries	–	1,000,000	–	0.07
Investment in FDR	(757,340,522)	(150,000,000)	(52.79)	(10.31)
Investment in Zero Coupon Bond	–	(100,000,000)	–	(6.87)
<i>Net cash used in investing activities</i>	<b>(829,246,684)</b>	<b>(334,669,459)</b>	<b>(57.80)</b>	<b>(22.99)</b>
<b>C) Cash flows from financing activities</b>				
Issue of new shares for cash	31,500,000	–	2.20	–
Share premium	252,000,000	–	17.56	–
Dividend paid	(31,500,000)	(26,000,000)	(2.20)	(1.79)
Short term loan	(30,766,667)	–	(2.14)	–
<i>Net cash from financing activities</i>	221,233,333	(26,000,000)	15.42	(1.79)
<b>Net increase in cash and cash equivalent (A+B+C)</b>	<b>74,025,950</b>	<b>161,223,236</b>	<b>5.17</b>	<b>11.08</b>
<b>Opening cash and cash equivalents (Note 15)</b>	164,701,711	3,478,475	11.48	0.24
<b>Closing cash and cash equivalent (Note 15)</b>	<b>238,727,661</b>	<b>164,701,711</b>	<b>16.65</b>	<b>11.32</b>

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.687 / Taka)

MARICO BANGLADESH LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended September 30, 2009

	Share capital Taka	Share premium Taka	Tax holiday reserve Taka	Proposed dividend Taka	Retained profit Taka	Total Taka	Share capital Rs. Crore	Share premium Rs. Crore	Tax holiday reserve Rs. Crore	Proposed dividend Rs. Crore	Retained profit Rs. Crore	Total Rs. Crore
<b>Balance at 30 September 2007</b>	10,000,000	-	305,545,269	26,000,000	265,007,823	606,553,092	0.69	-	20.99	1.79	18.21	41.67
Net profit after tax for the year 2008	-	-	-	-	267,286,706	267,286,706	-	-	-	-	18.36	18.36
Reversal of the tax holiday reserve	-	-	(305,545,269)	-	305,545,269	-	-	-	(20.99)	-	20.99	-
Dividend paid	-	-	-	(26,000,000)	-	(26,000,000)	-	-	-	(1.79)	-	(1.79)
Proposed dividend-	-	-	-	31,500,000	(31,500,000)	-	-	-	-	2.16	(2.16)	-
Transferred to Share capital	80,000,000	-	-	-	(80,000,000)	-	5.50	-	-	-	(5.50)	-
<b>Balance at 30 September 2008</b>	<b>90,000,000</b>	-	-	<b>31,500,000</b>	<b>726,339,799</b>	<b>847,839,799</b>	<b>6.18</b>	-	-	<b>2.16</b>	<b>49.90</b>	<b>58.25</b>
Balance as at 1 October 2008	90,000,000	-	-	31,500,000	726,339,799	847,839,799	6.18	-	-	2.16	49.90	58.25
Net profit after tax for the year 2009	-	-	-	-	470,865,093	470,865,093	-	-	-	-	32.82	32.82
Dividend paid	-	-	-	(31,500,000)	-	(31,500,000)	-	-	-	(2.20)	-	(2.20)
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to share capital	225,000,000	-	-	-	(193,500,000)	31,500,000	15.68	-	-	-	(13.49)	2.20
Share premium	-	252,000,000	-	-	-	252,000,000	-	17.56	-	-	-	17.56
<b>Balance as at 30 September 2009</b>	<b>315,000,000</b>	<b>252,000,000</b>	-	-	<b>1,003,704,892</b>	<b>1,570,704,892</b>	<b>21.96</b>	<b>17.56</b>	-	-	<b>69.96</b>	<b>109.48</b>

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.687 / Taka)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### 1.1 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. The company is listed with Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

### 1.2 Registered Office

The address of the company's registered office is at House # 01, Road # 01, Sector # 01, Uttara Model Town, Dhaka-1230.

### 1.3 Authorised Capital

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

### 1.4 Nature of Business Activities

MBL carries on business in Branded Fast Moving Consumer Goods (FMCG) in Bangladesh. The company manufactures, markets and trades coconut oil, perfumed hair oil, soap etc under the brand name of Parachute, Beliphool, Aromatic Gold, Camelia, Parachute Advansed etc in Bangladesh. MBL's products reach its consumers through retail outlets serviced by its own distribution network comprising four sales depots located in Dhaka, Chittagong, Bogra and Jessore.

### 1.5 Factory Operations

MBL has set up a manufacturing unit at Mouchak, Gazipur and went into commercial production from 27 October 2002 on a rented factory land and building. Subsequently the factory land measuring 66 decimals and the building had been acquired from Quality Chemical Industries Limited on 12 March 2007. Adjacent land of the factory measuring 128.5 decimals had also been purchased from Mr. Sadequul Islam Bhuiyan on 14 November 2007. A deed of agreement for purchase of another piece of land measuring 15 decimals had been signed with Mr. Sadequul Islam Bhuiyan on 14 November 2007.

## 2. Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### 2.2 Date of authorisation

The Board of Directors has authorised these financial statements on 26 November 2009 for public issue.

### 2.3 Basis of measurement

The financial statements have been prepared under the 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 integer.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### 2.5 Reporting period

Financial statements of the company covered one year from 1 October 2008 to 30 September 2009 and is followed consistently.

### 2.6 Other Regulatory compliance

The Company is also required to comply with the following major legal provisions in addition to the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

The Income Tax Ordinance 1984

The Income Tax Rules 1984

The Value Added Tax (VAT) Act 1991

The Value Added Tax (VAT) Rules 1991

### 2.7 Use of estimates and judgements

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

- the assessment of recoverability of long-lived assets;
- the recognition and measurement of current and deferred income tax assets and liabilities (including the measurement of uncertain tax provision);
- the valuation of inventories; and
- measurement of liability for staff gratuity.

Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

### 2.8 Going concern

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

### 2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at banks which are held available for use by the company without any restrictions.

The cash flow statement is prepared under direct method as per BAS-7.

### 2.10 Provisions

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

## 3. 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 2009

### 3.1 Foreign currency

The figures in the financial statements are denominated in Bangladesh Taka. Monetary assets and liabilities denominated in foreign currencies are translated into Bangladesh Taka at the exchange rates ruling at the balance sheet date. Non-monitories 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 the profit and loss account.

### 3.2 Property, Plant and Equipment

#### 3.2.1 Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that are directly attributable to the acquisition of the assets. Components of property, plant and equipment having different useful lives, are accounted for as separate items.

#### 3.2.2 Subsequent cost

The cost of a 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 costs can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognised in the profit and loss account as incurred.

#### 3.2.3 Depreciation

Depreciation is recognised in the profit and loss account 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:

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

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

### 3.3 Intangible assets

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### 3.4 Amortization

Amortization is recognized in the profit and loss account on straight line basis over the estimated useful lives of intangible assets from the date they are available for use. Assets are amortized over a period of seven years commencing from 1 May 2005 for 'Camelia' and ten years for 'Aromatic' commencing from 1 October 2005.

### 3.5 Impairment

Carrying amount of the company's assets are reviewed at each balance sheet date or whenever there is an indication of impairment. If any such indication exist, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment loss, if any, is recognized in the profit and loss account.

### 3.6 Taxation

Provision for income tax is made on the basis of company's computation of taxable profit until the assessment is finalized by the tax authority. Adjustment, if any, arising out of the assessment is made in the year the assessment is completed. Applicable tax rate was 27.5% during the year.

### 3.7 Deferred tax

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

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

### 3.8 Revenue recognition

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

### 3.9 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average principle, 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, costs include an appropriate share of production overheads based on normal operation capacity. The valuation of inventory requires to estimate obsolete or excess inventory as well as the inventory that is not of saleable quality. The determination of obsolete or excess inventory requires to estimate the future demand for the products.

Goods in transit represents the cost incurred up to the date of balance sheet for the items that were not received till to the date of balance sheet.

### 3.10 Defined benefit plan (Gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and/or year of services. The recognised Employees' Gratuity Fund is being considered as defined benefit plan as it meets the recognition criteria. The Company's obligation is to provide the agreed benefits to current employees as per condition of the fund.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

Present value of defined plan is a retirement benefit plan under the fair value of the plan assets as determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables were used. The difference between fair value of the plan assets and present value of obligation is recognised as a liability or an asset in the balance sheet. The rate used to discount post employment benefit obligations is determined by reference to the rate stated in the actuarial report. The expected return on plan assets is based on market expectation and is one of the component of expenses recognised in the profit and loss account. Total expenses recognised in the profit and loss account comprise of current service cost, interest cost, expected return on plan assets.

### 3.11 Leave encashment

The Company makes provision for annual leave encashment based on latest basic salary as allowed by the Company policy.

### 3.12 Earnings per share

The Company presents its basic earnings per share (EPS) data for its ordinary shares. Basic EPS 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. Computation of EPS is stated in note 30.

### 3.13 Events after the Reporting Period

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

## 4. Property, plant and equipment

Particulars	Cost				Depreciation			Written down value		
	As at 1 Oct. 2008	Addition during the year	Disposal during the year	As at 30 Sep. 2009	As at 1 Oct. 2008	Charged for the year	Adjustment for the year	As at 30 Sep. 2009	As at 30 Sep. 2009	As at 30 Sep. 2008
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Plant and machinery	187,131,719	30,840,943	4,199,221	213,773,441	37,970,571	25,187,152	4,118,202	59,039,521	154,733,920	149,161,148
Free hold land	36,394,486	-	-	36,394,486	-	-	-	-	36,394,486	36,394,486
Vehicles	11,220,374	5,593,028	2,976,307	13,837,095	7,196,513	2,400,632	2,975,824	6,621,322	7,215,773	4,023,861
Factory equipment	4,050,199	2,392,801	2,258,934	4,184,066	3,406,550	675,422	2,253,019	1,828,953	2,355,113	643,649
Moulds	10,038,949	5,921,734	3,058,147	12,902,536	5,167,645	2,317,582	2,979,981	4,505,246	8,397,290	4,871,304
Factory building	4,743,030	-	73,458	4,669,572	1,429,363	362,674	73,458	1,718,579	2,950,993	3,313,667
Office building	31,116,725	19,808,539	-	50,925,264	777,918	4,367,827	-	5,145,745	45,779,519	30,338,807
Laboratory equipment	738,100	-	190,100	548,000	722,720	9,955	190,100	542,575	5,425	15,380
Office equipments	4,027,319	492,288	1,751,675	2,767,932	2,498,766	1,213,420	1,650,795	2,061,391	706,541	1,528,553
Computers	3,754,459	1,249,400	2,024,334	2,979,525	2,430,474	968,854	1,971,525	1,427,803	1,551,723	1,323,985
Furniture and fixtures	10,896,276	5,401,404	2,658,303	13,639,377	3,215,388	2,891,546	2,573,159	3,533,775	10,105,602	7,680,888
A/C, Refrigerator, water coolers	1,773,531	206,025	471,000	1,508,556	831,717	382,723	470,564	743,876	764,680	941,814
At 30 September 2009	305,885,167	71,906,162	19,661,478	358,129,851	65,647,625	40,777,786	19,256,626	87,168,786	270,961,065	240,237,542
At 30 September 2008	155,337,189	150,669,458	121,480	305,885,167	40,368,692	25,377,156	98,223	65,647,625	240,237,542	114,968,497

#### Depreciation allocated to:

	Taka
Manufacturing	29,021,291
Administration	11,756,495
	<u>40,777,786</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

Particulars	Cost				Depreciation			Written down value		
	As at 1 Oct. 2008	***Addition during the year	Disposal during the year	As at 30 Sep. 2009	As at 1 Oct. 2008	Charged for the year	Adjustment for the year	As at 30 Sep. 2009	As at 30 Sep. 2009	As at 30 Sep. 2008
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Plant and machinery	12.86	2.15	0.29	14.90	2.61	1.76	0.29	4.12	10.78	10.25
Free hold land	2.50	-	-	2.54	-	-	-	-	2.54	2.50
Vehicles	0.77	0.39	0.21	0.96	0.49	0.17	0.21	0.46	0.50	0.28
Factory equipment	0.28	0.17	0.16	0.29	0.23	0.05	0.16	0.13	0.16	0.04
Moulds	0.69	0.41	0.21	0.90	0.36	0.16	0.21	0.31	0.59	0.33
Factory building	0.33	-	0.01	0.33	0.10	0.03	0.01	0.12	0.21	0.23
Office building	2.14	1.38	-	3.55	0.05	0.30	-	0.36	3.19	2.08
Laboratory equipment	0.05	-	0.01	0.04	0.05	0.00	0.01	0.04	0.00	0.00
Office equipments	0.28	0.03	0.12	0.19	0.17	0.08	0.12	0.14	0.05	0.11
Computers	0.26	0.09	0.14	0.21	0.17	0.07	0.14	0.10	0.11	0.09
Furniture & fixtures	0.75	0.38	0.19	0.95	0.22	0.20	0.18	0.25	0.70	0.53
A/C, Refrigerator, water coolers	0.12	0.01	0.03	0.11	0.06	0.03	0.03	0.05	0.05	0.06
At 30 September 2009	21.01	5.01	1.37	24.96	4.51	2.84	1.34	6.08	18.89	16.50
At 30 September 2008	11.14	10.35	0.01	21.01	2.89	1.74	0.01	4.51	16.50	8.24

Depreciation allocated to:

	Rs. Crore
Manufacturing	2.02
Administration	0.82
	<u>2.84</u>

### 5. Asset under construction

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Opening balance	65,000,000	130,000,000	4.53	8.93
Add: Addition during the year	-	-	-	-
	<u>65,000,000</u>	<u>130,000,000</u>	<u>4.53</u>	<u>8.93</u>
Less: Transfer to property, plant & equipment	-	65,000,000	-	4.47
Closing balance	<u>65,000,000</u>	<u>65,000,000</u>	<u>4.53</u>	<u>4.47</u>

Above assets remain yet to be installed for commercial production as at the balance sheet date.

### 6. Intangible assets

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

#### Marks & Allys Limited:

Intellectual property right	2,500,000	2,500,000	0.17	0.17
Copy right	2,500,000	2,500,000	0.17	0.17
	<u>5,000,000</u>	<u>5,000,000</u>	<u>0.35</u>	<u>0.34</u>

#### Aromatic Cosmetics Limited:

Intellectual property right	7,500,000	7,500,000	0.52	0.52
Copy right	7,500,000	7,500,000	0.52	0.52
	<u>15,000,000</u>	<u>15,000,000</u>	<u>1.05</u>	<u>1.04</u>

Incidental to capital expenditure	3,075,125	3,075,125	0.21	0.21
Total cost	<u>23,075,125</u>	<u>23,075,125</u>	<u>1.61</u>	<u>1.60</u>
Less: Accumulated amortization	10,464,381	7,776,411	0.73	0.53
<b>Net value</b>	<u>12,610,744</u>	<u>15,298,714</u>	<u>0.88</u>	<u>1.05</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2009

**7. Other assets**

These represent a sum of Tk 65,000,000 paid to Marks & Allys Limited and Tk 50,000,000 paid to Aromatic Cosmetics Ltd. in respect of business and commercial support contract, covering a period of 10 years, executed on 25 April 2005 and 7 October 2005 respectively.

**Deferred expenditure**

Marks & Allys Limited	65,000,000	65,000,000	4.53	4.47
Aromatic Cosmetics Limited	50,000,000	50,000,000	3.49	3.44
Total deferred expenditure	115,000,000	115,000,000	8.02	7.90
Less: Accumulated amortization	37,208,355	25,708,347	2.59	1.77
	77,791,645	89,291,653	5.42	6.13
Less: Amortization during the year*	77,791,645	11,500,008	5.42	0.79
	–	<b>77,791,645</b>	–	<b>5.34</b>

\*This amount represents amortization of deferred expenditure in full during the year since MBL does not expect any future benefit from the business and commercial support contract entered into with Marks & Allys Ltd. and Aromatic Cosmetics Ltd.

**8. Inventories**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Raw materials	378,309,742	105,101,760	26.37	7.22
Packing materials	22,574,684	21,910,713	1.57	1.51
Finished goods	54,577,417	48,861,534	3.80	3.36
	<b>455,461,843</b>	<b>175,874,007</b>	<b>31.75</b>	<b>12.08</b>

**9. Accrued interest**

Interest on FDR	41,206,023	4,150,411	2.87	0.29
Other interest	7,200,000	–	0.50	–
	<b>48,406,023</b>	<b>4,150,411</b>	<b>3.37</b>	<b>0.29</b>

**10. Trade debtors**

Receivable from Kallol Traders Ltd.	–	4,208,637	–	0.29
	–	<b>4,208,637</b>	–	<b>0.29</b>

**11. Investments**

The company has made investment in “Zero Coupon Bond” with IDLC as per “Deed of Trust” dated 29 June 2008 and ‘Subscription Agreement’ dated 23 September 2008. Ten Zero Coupon Bonds have been allotted in favour of the company with face value of Tk 11,314,082 at issue price of Tk 10,000,000 per bond.

**12. Advances and deposits****Advances:**

Ethical Drugs Limited*	195,879	14,976,245	0.01	1.03
Materials	–	82,326,899	–	5.66
Loans to employee	3,668,999	1,940,278	0.26	0.13
Advance for Services	24,815,475	5,319,438	1.73	0.37
	<b>28,680,353</b>	<b>104,562,860</b>	<b>2.00</b>	<b>7.18</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2009

**Deposits:**

VAT current account	11,566,839	13,129,745	0.81	0.90
Supplementary duty	1,227,119	–	0.09	–
Security deposits	–	2,896,721	–	0.20
	<u>12,793,957</u>	<u>16,026,466</u>	<u>0.89</u>	<u>1.10</u>
	<u>41,474,311</u>	<u>120,589,326</u>	<u>2.89</u>	<u>8.28</u>

\* Ethical Drugs Limited is a contract manufacturer of MBL.

**13. Advance income tax**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Opening balance	47,758,202	16,613,665	3.33	1.14
Add: Addition during the year	160,190,630	31,144,537	11.17	2.14
	207,948,832	47,758,202	14.49	3.28
Less: Adjustment for completed assessment (Note 20)	121,927,391	–	8.50	–
Closing balance	<u>86,021,441</u>	<u>47,758,202</u>	<u>6.00</u>	<u>3.28</u>

**14 Fixed deposit**

Deposits in banks and non-bank financial institutions	1,037,340,522	280,000,000	72.30	19.24
	<u>1,037,340,522</u>	<u>280,000,000</u>	<u>72.30</u>	<u>19.24</u>

**15. Cash and cash equivalents**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Cash on hand	1,777,483	615,371	0.12	0.04
<b>Cash at banks and non-bank financial institutions</b>				
Citibank N.A.	201,354,196	139,596,248	14.03	9.59
Standard Chartered Bank	11,398,846	2,750,540	0.79	0.19
Commercial Bank of Ceylon	1,284,111	2,117	0.09	0.00
HSBC	10,712,024	4,737,435	0.75	0.33
IDLC Finance Limited	12,201,000	17,000,000	0.85	1.17
	236,950,178	164,086,340	16.52	11.27
	<u>238,727,661</u>	<u>164,701,711</u>	<u>16.64</u>	<u>11.32</u>

**16 Share capital**

**Authorised**

40,000,000 ordinary shares of Tk. 10 each

400,000,000      300,000,000

**Issued, subscribed and paid up**

Issued for cash

41,500,000      41,500,000

Issued for consideration other than cash

273,500,000      273,500,000

315,000,000      315,000,000

**Percentage of shareholdings**

Marico Limited, India

90%      100%

Other shareholders

10%      –

100%      100%

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### Classification of shareholders by holding

	Number of holders	Number of shares
<b>Holdings</b>		
Less than 500 shares	17,952	956,107
500 to 5,000 shares	361	572,150
5,001 to 10,000 shares	30	227,550
10,001 to 20,000 shares	23	329,050
20,001 to 30,000 shares	7	179,950
30,001 to 40,000 shares	2	65,650
40,001 to 50,000 shares	5	236,850
50,001 to 100,000 shares	5	332,150
100,001 to 1,000,000 shares	2	250,550
Over 1,000,000 shares	1	28,349,993
	<b>18,388</b>	<b>31,500,000</b>

### 17 Deferred tax (assets)/liabilities

	2009 Taka	2008 Taka	2009 Crore	2008 Crore
Taxable temporary difference	66,693,154	61,956,673	4.65	4.26
Deductible temporary difference	68,908,538	39,847,551	4.80	2.74
Net taxable/(deductible) temporary difference	(2,215,384)	22,109,122	(0.15)	1.52
Effective tax rate	27.50%	37.50%		
Deferred tax (assets)/liabilities	<b>(609,231)</b>	<b>8,290,921</b>	<b>(0.04)</b>	<b>0.57</b>

### 18. Short term loan

#### Short term loan:

Citibank N.A	8,312,990	–	0.58	–
HSBC	68,866,132	30,766,667	4.80	2.11
	<b>77,179,122</b>	<b>30,766,667</b>	<b>5.38</b>	<b>2.11</b>

#### 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 TK 1,552.5 million

##### c) Rate of interest

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

#### HSBC

##### a) Limit

Total aggregate limit of short term loan and bank overdraft is Tk 345 million. Short term loan is taken whenever required.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

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

Demand promissory note and letter of continuity for Tk 345 million

c) **Rate of interest**

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

**19. Liability for expenses**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Business promotion expenses	138,846,108	110,470,004	9.68	7.59
Advertisement expenses	84,508,477	70,877,506	5.89	4.87
Audit fees	200,000	250,000	0.01	0.02
Leave encashment	8,892,093	4,438,766	0.62	0.30
Creditors for supplies	18,889,161	–	1.32	–
Other expenses	23,709,001	3,272,569	1.65	0.22
	<u>275,044,840</u>	<u>189,308,845</u>	<u>19.17</u>	<u>13.01</u>

**20. Income tax payable**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Opening balance	172,667,019	13,337,289	12.03	0.92
Add: Provision during the period*	117,532,660	159,329,730	8.19	10.95
	290,199,679	172,667,019	20.23	11.86
Less: Adjustment for completed assesment (Note 13)	121,927,391	–	8.50	–
Closing balance	<u>168,272,288</u>	<u>172,667,019</u>	<u>11.73</u>	<u>11.86</u>

\*Provision during the period includes reversal of last year's provision amounting Tk.50,739,628.

**21. Trade creditors**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Marico Limited, India	248,506,650	119,976,714	17.32	8.24
Other creditor	14,616,858	–	1.02	–
Import duty and related charges	77,992,752	70,041,712	5.44	4.81
	<u>341,116,259</u>	<u>190,018,426</u>	<u>23.78</u>	<u>13.05</u>

**22. Payable to holding company**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Royalty	61,788,963	36,122,349	4.31	2.48
Bank guarantee commission	8,893,986	8,893,986	0.62	0.61
	<u>70,682,949</u>	<u>45,016,335</u>	<u>4.93</u>	<u>3.09</u>

**23. Other liabilities**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Advance from customers	21,109,845	1,180,440	1.47	0.08
Tax deducted from vendors' bills	4,269,227	861,423	0.30	0.06
Supplementary duty	–	1,300,978	–	0.09
	<u>25,379,072</u>	<u>3,342,841</u>	<u>1.77</u>	<u>0.23</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### 24. Turnover

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>Products</b>				
Parachute coconut oil	3,821,246,608	2,357,649,671	266.34	161.97
Beli	35,423,399	17,306,653	2.47	1.19
Camelia	9,483,466	7,420,280	0.66	0.51
Aromatic soap	169,974,993	276,476,308	11.85	18.99
Parachute advansed	19,883,432	–	1.39	–
Others	688,797	–	0.05	–
	<u>4,056,700,695</u>	<u>2,658,852,912</u>	<u>282.75</u>	<u>182.66</u>

### 25. Cost of goods sold

Opening stock of finished goods	48,861,534	8,972,931	3.41	0.62
Add: Cost of goods manufactured (Note 25.1)	2,984,727,072	1,919,474,534	208.04	131.87
	3,033,588,606	1,928,447,465	211.44	132.48
Less: Closing stock of finished goods	54,577,417	48,861,534	3.80	3.36
Cost of goods sold*	<u>2,979,011,189</u>	<u>1,879,585,931</u>	<u>207.64</u>	<u>129.13</u>

\*Cost of goods sold includes write down of raw material inventory to its net realizable value at an amount of Tk. 16,189,886.30 (221 ton of soap noodles @ Tk. 73,257 per ton).

### 25.1 Cost of goods manufactured

#### Materials consumed:

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Opening stock of raw and packing materials	127,012,473	32,622,844	8.85	2.24
Add: Purchases during the year	3,202,404,712	1,975,510,444	223.21	135.72
	3,329,417,185	2,008,133,288	232.06	137.96
Less: Closing stock of raw and packing materials	400,884,426	127,012,473	27.94	8.73
Raw and packing materials consumed (Note 34)	2,928,532,759	1,881,120,815	204.12	129.23
Add: Factory overhead				
Wages	9,187,650	6,732,958	0.64	0.46
Power expenses	2,672,415	2,976,308	0.19	0.20
Factory rent	1,417,244	395,860	0.10	0.03
Hire charges of plant and machinery	–	1,233,000	–	0.08
Loading charges	915,795	505,644	0.06	0.03
Repairs and maintenance of plant and machineries	2,514,992	2,256,014	0.18	0.15
Repairs and maintenance of Factory building	789,208	1,176,705	0.06	0.08
Depreciation	29,021,291	19,352,113	2.02	1.33
Other expenses	9,675,718	3,725,118	0.67	0.26
	56,194,313	38,353,719	3.92	2.63
	<u>2,984,727,072</u>	<u>1,919,474,534</u>	<u>208.04</u>	<u>131.87</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

## 26. Selling and distribution expenses

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Business promotion expenses	10,051,185	53,999,080	0.70	3.71
Advertisement	236,248,114	132,827,867	16.47	9.13
Market research expenses	4,029,568	4,515,874	0.28	0.31
Redistribution expenses	2,508,177	8,021,421	0.17	0.55
Freight- outward	25,233,712	10,844,846	1.76	0.75
	<b>278,070,756</b>	<b>210,209,088</b>	<b>19.38</b>	<b>14.44</b>

## 27. General and administration expenses

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Salaries and allowances	74,568,322	44,147,131	5.20	3.03
Gratuity	4,877,470	2,335,856	0.34	0.16
Rent	1,534,225	2,199,153	0.11	0.15
Professional charges	5,900,047	3,361,404	0.41	0.23
Security charges	708,753	786,092	0.05	0.05
Legal charges	959,181	1,312,451	0.07	0.09
Director's remuneration	19,455,730	18,566,507	1.36	1.28
Director's fees	—	133,335	—	0.01
Repair and maintenance	5,210,170	3,021,953	0.36	0.21
Communication expenses	6,567,166	6,348,772	0.46	0.44
Subscription to trade association	50,000	103,417	0.00	0.01
Entertainment	1,295,896	1,212,610	0.09	0.08
Printing and stationery	1,618,326	1,430,260	0.11	0.10
Vehicle running expenses	7,837,602	6,985,980	0.55	0.48
Travelling and conveyance*	15,062,804	11,727,341	1.05	0.81
Audit fees	132,875	28,700	0.01	0.00
Recruitment expenses	264,462	490,085	0.02	0.03
Insurance premium	323,289	990,016	0.02	0.07
Books and periodicals	81,218	102,854	0.01	0.01
Deferred expenses written off	77,791,645	11,500,008	5.42	0.79
Bank charges	2,312,110	1,244,283	0.16	0.09
Bank guarantee commission	—	2,161,350	—	0.15
Staff welfare expenses	2,374,215	2,073,830	0.17	0.14
Conference and training expenses	453,772	712,478	0.03	0.05
Electricity and gas charges	1,479,545	625,610	0.10	0.04
Amortization of brand rights	2,687,970	2,687,970	0.19	0.18
Royalty**	38,212,466	23,576,497	2.66	1.62
Loss on disposal of assets	404,852	23,257	0.03	0.00
Depreciation	11,756,495	6,025,044	0.82	0.41
Public issue expenses	20,727,049	—	1.44	—
	<b>304,647,656</b>	<b>155,914,243</b>	<b>21.23</b>	<b>10.71</b>

\*It includes Tk. 5,290,042 for overseas travel.

\*\*It includes TDS in accordance with the ITO 1984.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2009

**28. Interest expense**

Interest on term loan	6,869,004	4,121,738	0.48	0.28
Interest on overdraft	–	1,843,664	–	0.13
	<b>6,869,004</b>	<b>5,965,403</b>	<b>0.48</b>	<b>0.41</b>

**29. Other income**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Interest on fixed deposit	80,867,583	20,915,505	5.64	1.44
Interest on call deposit	10,510,265	452,806	0.73	0.03
Exchange gain	17,664	182,996	0.00	0.01
	<b>91,395,512</b>	<b>21,551,307</b>	<b>6.37</b>	<b>1.48</b>

**30. Earnings per share (EPS)****30.1 Basic earnings per share**

The computation of EPS is given below:

Earnings attributable to ordinary share holders (Net profit after tax)	470,865,093	267,286,706	32.82	18.36
Weighted average number of ordinary shares outstanding during the year	28,626,164	28,350,000		
Earnings per share (EPS) in Taka	16.45	9.43		

**30.2 Diluted earnings per share**

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

**31. Related party transactions**

Name of the related party	Relationship	Nature of the transaction	Transaction during the year 2009
Marico Limited, India	Parent company	1. Purchase of raw materials	1,208,835,772
		2. Royalty	38,212,466
		3. Stock dividend	193,500,000
		4. Cash dividend	–
		5. Bank guarantee commission	–

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

**32 Capacity**

Major product of measure	Unit for the year	Capacity for the year	Production	Remarks
PCNO	KL	19,200	13,392	Excess capacity to meet future demand

**33 Capital expenditure commitment**

No capital expenditure commitment was made covering the year in these accounts.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2009

**34. Raw and packing materials consumed**

1st October 08- 30 September 09									
		Opening stock		Purchased during the period		Closing stock		Consumption during the period	
		Quantity	Cost	Quantity	Cost	Quantity	Cost	Quantity	Cost
Oil	KL	341	37,019,859	10,794	1,783,818,242	2,693	283,120,736	8,442	1,537,717,366
Copra	MT	217	19,688,940	16,401	1,280,286,924	923	66,956,672	15,695	1,233,019,192
Noodles	MT	337	29,616,997	1,162	95,211,585	459	22,710,062	1,039	102,118,520
Perfume	MT	10	10,420,578	8	9,936,264	1.12	1,226,793	17	19,130,049
Talc	MT	21	518,494	3	88,494	1	27,131	23	579,857
LLP	KL	0.45	37,928	99	8,318,172	17.65	1,034,821	82	7,321,278
Bits Noodles	MT	34	5,451,902	1	78,930	8.49	1,325,873	26	4,204,959
								<b>2,904,091,221</b>	
Other raw and packing materials		24,257,775		24,666,103		24,482,339		24,441,538	
<b>Total</b>		<b>127,012,473</b>		<b>3,202,404,712</b>		<b>400,884,426</b>		<b>2,928,532,759</b>	

**Raw and packing materials consumed**

1st October 08- 30 September 09									
		Opening stock		Purchased during the period		Closing stock		Consumption during the period	
		Quantity	Cost	Quantity	Cost	Quantity	Cost	Quantity	Cost
Oil	KL	341	2.54	10,794	124.33	2,693	19.73	8,442	107.18
Copra	MT	217	1.35	16,401	89.24	923	4.67	15,695	85.94
Noodles	MT	337	2.03	1,162	6.64	459	1.58	1,039	7.12
Perfume	MT	10	0.72	8	0.69	1.12	0.09	17	1.33
Talc	MT	21	0.04	3	0.01	1	0.00	23	0.04
LLP	KL	0.45	0.00	99	0.58	17.65	0.07	82	0.51
Bits Noodles	MT	34	0.37	1	0.01	8.49	0.09	26	0.29
								202.42	
Other raw and packing materials		1.67		1.72		1.71		1.70	
<b>Total</b>		<b>8.73</b>		<b>223.21</b>		<b>27.94</b>		<b>204.12</b>	

**35. Contingent liabilities**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
Shipping gurrantees	75,832,879	517,973	5.29	0.04
Outstanding L/C	650,270,849	395,241,354	45.32	27.15
	<b>726,103,727</b>	<b>395,759,327</b>	<b>50.61</b>	<b>27.19</b>

**36. Number of employees**

The number of employees engaged for the whole year or part thereof who received a total salary of Tk. 36,000 p.a. and above was 84.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2009

**37. Value of import calculated on CIF Basis**

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Taka</b>	<b>Taka</b>	<b>Rs. Crore</b>	<b>Rs. Crore</b>
Raw materials	1,602,378,190	1,096,170,356	111.69	75.31
Capital goods	19,115,530	15,894,728	1.33	1.09
	<u><b>1,621,493,720</b></u>	<u><b>1,112,065,084</b></u>	<u><b>113.02</b></u>	<u><b>76.40</b></u>

**38. Events after the Reporting Period**

For the year 2009 the Board of Directors recommended cash dividend @ 25% per share at the board meeting held on 26 November 2009.

**39. General**

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

# MBL INDUSTRIES LIMITED

**Board of Directors**

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

Debashish Neogi

**Registered Office**

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

**Auditors**

Rahman Rahman Huq

Chartered Accountants

**Internal Auditors**

Farhad Hussain & Co.

Chartered Accountants

**Bankers**

Citibank N.A.

Standard Chartered Bank

**Legal Advisors**

Mr. Khairul Alam Chowdhury

Barrister-at-law (Supreme Court),

Law Valley, Segunbagicha, Dhaka, Bangladesh

## DIRECTORS' REPORT

To,

The Members

The Board of Directors is pleased to present the Annual Report together with audited accounts of your Company for the year ended September 30, 2009.

### FINANCIAL RESULTS

Particulars	(Taka Crore)		(Rs. Crore)	
	2009	2008	2009	2008
Sales and Other Income	7.57	13.80	4.98	9.47
<b>Profit before tax</b>	<b>(2.66)</b>	<b>1.14</b>	<b>1.75</b>	<b>0.78</b>
Tax	0.02	(0.44)	(0.01)	(0.30)
<b>Profit after Tax</b>	<b>(2.64)</b>	<b>0.70</b>	<b>(1.74)</b>	<b>0.48</b>
Add : Surplus brought forward	5.76	5.06	3.79	3.47
Profit available for Appropriation	<u>3.12</u>	<u>5.76</u>	<u>2.05</u>	<u>3.95</u>
Appropriation:				
Tax Holiday Reserve	—	—	—	—
Transfer to equity	—	—	—	—
Dividend including dividend distribution tax	—	—	—	—
<b>Surplus carried forward</b>	<u><b>3.12</b></u>	<u><b>5.76</b></u>	<u><b>2.05</b></u>	<u><b>3.95</b></u>

Note: The exchange rate used to convert Taka to Rs. is 0.658 / Taka (Rs. 0.686 / Taka)

### SALES TURNOVER & PROFITABILITY

Turnover at Taka 7.57 Crore (Rs.4.98 Crore), declined by 34% over FY08. Loss incurred before tax at Taka 2.66 Crore (Rs. 1.75 Crore) and Net Loss at Taka 2.64 Crore (Rs.1.74 Crore).

### AUTHORIZED AND PAID UP CAPITAL:

Your company's authorized capital was same as previous year at Taka 0.10 Crore.

### DIVIDEND

No dividend is proposed for this year.

### DIRECTORS

The Board of Directors was same as previous period.

### AUDITORS

Your Company's Auditors, M/s. Rahman Rahman Huq, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness for re-appointment.

### 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 : 26 November 2009

**DEBASHISH NEOGI**  
Director

## AUDITORS' REPORT

To

The Board of Directors of MBL Industries Limited

We have audited the accompanying balance sheet of MBL Industries Limited (the "Company") as at 30 September 2009 and the related profit and loss account, statement of changes in equity and statement of cash flow and a summary of significant accounting policies and other explanatory notes for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

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

### Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the state of the company's affairs as at 30 September 2009 and of the results of its operations and cash flow for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

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

We also report that:

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

Place : Dhaka

**Auditor**

Date : 23 December 2009

## BALANCE SHEET

As at September 30, 2009

	Notes	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>SOURCE OF FUNDS</b>					
Shareholders equity :					
Share capital	4	1,000,000	1,000,000	0.07	0.07
Accumulated profit		31,153,363	57,544,779	2.17	3.94
		<u>32,153,363</u>	<u>58,544,779</u>	<u>2.24</u>	<u>4.01</u>
Deferred tax liability		–	100,000	–	0.01
Provision for gratuity		–	570,034	–	0.04
<b>Total</b>		<b><u>32,153,363</u></b>	<b><u>59,214,813</u></b>	<b><u>2.24</u></b>	<b><u>4.06</u></b>
<b>Application of funds</b>					
Property, plant and equipments					
Cost	5	1,014,818	16,874,998	0.07	1.16
Less: Accumulated depreciation		1,010,985	3,340,466	0.07	0.23
		<u>3,832</u>	<u>13,534,532</u>	<u>–</u>	<u>0.93</u>
Deferred tax assets		101,493	–	0.01	–
<b>Current assets, loans and advances:</b>					
Inventory of finished goods	6	11,084,529	5,879,598	0.77	0.40
Trade debtors	7	3,209,443	1,355,595	0.22	0.09
Advances and deposits	8	–	1,508,701	–	0.10
Advance income tax	12	93,980	–	0.01	–
Accrued interest	9	2,649,918	2,106,370	0.18	0.14
Cash and cash equivalents	10	25,337,424	47,457,278	1.77	3.26
<b>Total current assets</b>		<b><u>42,375,294</u></b>	<b><u>58,307,542</u></b>	<b><u>2.95</u></b>	<b><u>3.99</u></b>
<b>Current liabilities and provisions:</b>					
Short term finance	11	–	11,872	–	–
Income tax payable	12	–	1,259,744	–	0.09
Liability for expenses	13	3,232,467	6,069,970	0.23	0.42
Payable to holding company	14	3,609,981	3,609,981	0.25	0.24
Other liabilities	15	3,484,808	1,675,695	0.24	0.11
<i>Total current liabilities</i>		<u>10,327,256</u>	<u>12,627,262</u>	<u>0.72</u>	<u>0.86</u>
<b>Net current assets</b>		<b><u>32,048,038</u></b>	<b><u>45,680,281</u></b>	<b><u>2.23</u></b>	<b><u>3.13</u></b>
<b>Total</b>		<b><u>32,153,363</u></b>	<b><u>59,214,813</u></b>	<b><u>2.24</u></b>	<b><u>4.06</u></b>

The accompanying notes 1 to 22 form an integral part of these financial statements.

As per our annexed report of same date.

**Rahman Rahman Huq**  
Auditors

**Debashish Neogi**  
Managing Director

**Kunal Gupta**  
Director

Place : Dhaka

Date : 23 December 2009

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.686 / Taka)

**PROFIT AND LOSS ACCOUNT**

Year ended September 30, 2009

	Notes	2009 Taka	2008 Taka	2009 Rs. in Crore	2008 Rs. Crore
Turnover	16	69,871,269	105,376,645	4.87	7.23
Cost of sales	17	(44,921,533)	(106,014,857)	(3.13)	(7.27)
<b>Gross profit</b>		<b>24,949,736</b>	<b>(638,212)</b>	<b>1.74</b>	<b>(0.04)</b>
General and administrative expenses	18	(12,413,215)	(20,932,405)	(0.87)	(1.44)
Selling and distribution expenses	19	(43,377,720)	14,558,869	(3.02)	1.00
Net profit/ (Loss) before interest expenses		(30,841,199)	(7,011,748)	(2.15)	(0.48)
Interest expense		(1,543,901)	(14,225,095)	(0.11)	(0.98)
<b>Net profit/ (Loss) after interest expenses</b>		<b>(32,385,100)</b>	<b>(21,236,843)</b>	<b>(2.26)</b>	<b>(1.46)</b>
Other income	20	5,792,191	32,657,414	0.40	2.24
Net profit/ (Loss) before taxation		(26,592,909)	11,420,572	(1.86)	0.78
Tax expenses					
Current tax		–	(4,405,946)	–	(0.30)
Deferred tax income/(expenses)		201,493	(24,268)	0.01	(0.00)
<b>Net profit/ (Loss) after taxation</b>		<b>(26,391,416)</b>	<b>6,990,358</b>	<b>(1.85)</b>	<b>0.48</b>
Profit brought forward		57,544,779	50,554,421	4.02	3.47
<b>Net profit carried forward to the balance sheet</b>		<b>31,153,363</b>	<b>57,544,779</b>	<b>2.17</b>	<b>3.95</b>

The accompanying notes 1 to 22 form an integral part of these financial statements.

As per our annexed report of same date.

**Rahman Rahman Huq**  
Auditors

**Debashish Neogi**  
Managing Director

**Kunal Gupta**  
Director

Place : Dhaka

Date : 23 December 2009

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.686 / Taka)

## CASH FLOW STATEMENT

		Year ended September 30, 2009			
		2009	2008	2009	2008
		Taka	Taka	Rs. in Crore	Rs. Crore
<b>A)</b>	<b>Cash flows from operating activities</b>				
	Net profit before tax	(26,592,909)	11,420,572	(1.85)	0.78
	Add: Depreciation	965,699	1,460,916	0.07	0.10
	Provision for gratuity	(570,034)	570,034	(0.04)	0.04
	<b>Changes in working capital:</b>				
	Current liabilities increase/(decrease)				
	Trade creditors	–	(51,937,692)	–	(3.56)
	Liability for expenses	(2,837,503)	(28,212,626)	(0.20)	(1.94)
	Interest payable	–	(2,590,972)	–	(0.18)
	Payable to holding company	–	2,080,206	–	0.14
	Other liabilities	1,809,113	(8,717,833)	0.13	(0.60)
		(1,028,389)	(89,378,917)	(0.07)	(6.13)
	<b>Current assets (increase)/decrease</b>				
	Inventory of finished goods	(5,204,931)	(1,339,815)	(0.36)	(0.09)
	Trade debtors	(1,853,848)	7,118,391	(0.13)	0.49
	Advances and deposits	1,508,701	9,644,847	0.11	0.66
	Accrued interest	(543,548)	6,448,942	(0.04)	0.44
		(6,093,626)	21,872,365	(0.42)	1.50
	Income tax paid	(1,353,724)	(10,394,433)	(0.09)	(0.71)
	<i>Net cash generated from operating activities</i>	<b>(34,672,983)</b>	<b>(64,449,463)</b>	<b>(2.42)</b>	<b>(4.42)</b>
<b>B)</b>	<b>Cash flows from investing activities</b>				
	Acquisition of fixed assets	–	(11,242,180)	–	(0.77)
	Proceeds from sale of equipment	12,565,001	–	0.88	–
	<i>Net cash generated from investing activities</i>	<b>12,565,001</b>	<b>(11,242,180)</b>	<b>0.88</b>	<b>(0.77)</b>
<b>C)</b>	<b>Cash flows from financing activities</b>				
	Short term finance	(11,872)	(199,988,128)	–	(13.72)
	<i>Net cash generated from financing activities</i>	<b>(11,872)</b>	<b>(199,988,128)</b>	<b>–</b>	<b>(13.72)</b>
<b>D)</b>	<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(A+B+C)</b>	<b>(22,119,854)</b>	<b>(1.54)</b>	<b>(18.91)</b>
<b>E)</b>	<b>Opening cash and cash equivalents</b>	47,457,278	323,137,049	3.31	22.17
<b>F)</b>	<b>Closing cash and cash equivalents</b>	<b>(D+E)</b>	<b>25,337,424</b>	<b>1.77</b>	<b>3.26</b>

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.686 / Taka)



**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Year ended September 30, 2009					
	Share capital	Accumulated profit/(loss)	Total	Share capital	Accumulated profit/(loss)	Total
	Taka	Taka	Taka	Rs. Crore	Rs. Crore	Rs. Crore
<b>Balance at 30 September 2004</b>	1,000,000	13,352,635	14,352,635	0.07	0.92	0.99
Net profit after tax for the year 2005	–	6,129,559	6,129,559	–	0.42	0.42
<b>Balance at 30 September 2005</b>	<b>1,000,000</b>	<b>19,482,194</b>	<b>20,482,194</b>	<b>0.07</b>	<b>1.34</b>	<b>1.41</b>
Net profit after tax for the year 2006	–	12,232,720	12,232,720	–	0.84	0.84
<b>Balance at 30 September 2006</b>	<b>1,000,000</b>	<b>31,714,914</b>	<b>32,714,914</b>	<b>0.07</b>	<b>2.18</b>	<b>2.25</b>
Net profit after tax for the year 2007	–	18,839,507	18,839,507	–	1.29	1.29
<b>Balance at 30 September 2007</b>	<b>1,000,000</b>	<b>50,554,421</b>	<b>51,554,421</b>	<b>0.07</b>	<b>3.47</b>	<b>3.54</b>
Net profit after tax for the year 2008	–	6,990,358	6,990,358	–	0.48	0.48
<b>Balance at 30 September 2008</b>	<b>1,000,000</b>	<b>57,544,779</b>	<b>58,544,779</b>	<b>0.07</b>	<b>3.95</b>	<b>4.02</b>
Net profit/(loss) after tax for the year 2009	–	(26,391,416)	(26,391,416)	–	(1.84)	(1.84)
<b>Balance at 30 September 2009</b>	<b>1,000,000</b>	<b>31,153,363</b>	<b>32,153,363</b>	<b>0.07</b>	<b>2.17</b>	<b>2.24</b>

Note: The exchange rate used to convert Taka to Rs. 0.697 / Taka (Rs. 0.686 / Taka)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

### 1. Company profile

MBL Industries Limited is a private limited company incorporated on 2 August 2003 in Bangladesh under the Companies Act 1994. The present authorized capital of the company is Tk 10,000,000 divided into 1,000,000 ordinary shares of Taka 10 each and paid up capital is Tk 1,000,000 divided into 100,000 ordinary shares of Taka 10 each. The company is a wholly owned subsidiary of Marico 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.

### 2. Nature of business

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

### 3. Basis of preparation and significant accounting policies

#### 3.1 Statement of compliance

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

#### 3.2 Basis of measurement

The financial statements have been prepared on historical cost convention.

#### 3.3 Functional and presentational currency

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

#### 3.4 Revenue recognition

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

#### 3.5 Property, plant and equipments and depreciation

Recognition and measurement

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

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

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

#### 3.6 Other regulatory compliance

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

The Income Tax Ordinance 1984

The Income Tax Rules 1984

The Value Added Tax (VAT) Act 1991

The Value Added Tax (VAT) Rules 1991

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

### 3.7 Use of estimates and judgements

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

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

Actual results may differ from these estimates.

### 3.8 Deferred tax

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

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

### 3.9 Inventories

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

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

### 3.10 Going concern assumption

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

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

### 3.11 Cash and cash equivalents

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

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

### 3.12 Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

### 3.13 Reporting period

Financial statements of the company covered one year from 1 October 2008 to 30 September 2009 and is followed consistently.

### 3.14 Events after the balance sheet date

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

### 4. Share capital

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>Authorised:</b>				
1,000,000 Ordinary shares of Tk 10 each	10,000,000	10,000,000	0.70	0.69
<b>Paid up:</b>				
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 2009, share holding position of the company was as follows:

	No. 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	-
	<b>100,000</b>	<b>1,000,000</b>	<b>0.07</b>

### 5. Property, plant and equipments

Particulars	Cost				Depreciation			Net book value		
	As at 1 Oct. 2008	Addition during the year	Disposal during the year	As at 30 Sept. 2009	As at 1 Oct. 2008	Charged for the year	Adjustment for the year	As at 30 Sept. 2009	As at 30 Sept. 2009	As at 30 Sept. 2008
Electrical machinery*	15,860,180	-	15,860,180	-	2,441,421	853,758	3,295,179	-	-	13,418,759
Computers	939,133	-	-	939,133	837,930	98,370	-	936,300	2,833	101,203
Office equipments	75,685	-	-	75,685	61,114	13,571	-	74,685	1,000	14,571
At 30 September 2009	16,874,998	-	15,860,180	1,014,818	3,340,465	965,699	3,295,179	1,010,985	3,832	13,534,532
At 30 September 2008	5,632,818	11,242,180	-	16,874,998	1,879,549	1,460,916	-	3,340,465	13,534,532	3,753,269

\*A gas generator has been sold to Becon Consultant Limited, a local company, at BDT 12,565,001 during the month of March 2009.

Particulars	Cost				Depreciation			Net book value		
	As at 1 Oct. 2008	Addition during the year	Disposal during the year	As at 30 Sept. 2009	As at 1 Oct. 2008	Charged for the year	Adjustment for the year	As at 30 Sept. 2009	As at 30 Sept. 2009	As at 30 Sept. 2008
Electrical machinery	1.09	-	1.11	-	0.17	0.06	0.23	-	-	0.92
Computers	0.06	-	-	0.07	0.06	0.01	-	0.07	0.00	0.01
Office equipments	0.01	-	-	0.01	0.00	0.00	-	0.01	0.00	0.00
At 30 September 2009	1.16	-	1.11	0.07	0.23	0.07	0.23	0.07	0.00	0.93
At 30 September 2008	0.39	0.77	-	1.16	0.13	0.10	-	0.23	0.93	0.26

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	2009	2008	2009	2008
	Taka	Taka	Rs. Crore	Rs. Crore
<b>6. Inventory of finished goods</b>				
Beli	889	889	-	-
Parachute	3,687,773	-	0.26	-
Hair code	3,166,368	2,575,012	0.22	0.18
Parachute extension	2,980,324	883,281	0.21	0.06
	<u>9,835,354</u>	<u>3,459,181</u>	<u>0.69</u>	<u>0.24</u>
Goods in transit	1,249,175	2,420,417	0.09	0.17
	<u><b>11,084,529</b></u>	<u><b>5,879,598</b></u>	<u><b>0.77</b></u>	<u><b>0.40</b></u>
<b>7. Trade debtors</b>				
Receivable from Kallol Limited	-	1,355,595	-	0.09
Receivable from other customers	3,209,443	-	0.22	-
	<u><b>3,209,443</b></u>	<u><b>1,355,595</b></u>	<u><b>0.22</b></u>	<u><b>0.09</b></u>
<b>8. Advances and deposits</b>				
Advance for services	-	350,449	-	0.02
Advance to employees	-	1,158,252	-	0.08
	<u>-</u>	<u><b>1,508,701</b></u>	<u>-</u>	<u><b>0.10</b></u>
<b>9. Accrued interest</b>				
Interest on fixed deposit	2,649,918	2,106,370	0.18	0.14
	<u><b>2,649,918</b></u>	<u><b>2,106,370</b></u>	<u><b>0.18</b></u>	<u><b>0.14</b></u>
<b>10. Cash and cash equivalents</b>				
Cash on hand	280,264	105,671	0.02	0.01
Fixed deposit :				
With IDLC	20,000,000	30,000,000	1.39	2.06
Cash at banks:				
Citibank, N.A. (SND Account)	4,362,196	16,531,852	0.30	1.13
Standard Chartered Bank (Call deposit account)	693,817	819,755	0.05	0.06
Commercial Bank of Ceylon	1,146	-	0.00	-
	<u><b>25,337,424</b></u>	<u><b>47,457,278</b></u>	<u><b>1.77</b></u>	<u><b>3.26</b></u>
<b>11. Short term finance</b>				
Short term loan:				
Commercial bank of Ceylon	-	11,872	-	-
	<u>-</u>	<u><b>11,872</b></u>	<u>-</u>	<u>-</u>
<b>12. Income tax payable / (Advance)</b>				
Opening balance	1,259,744	7,248,231	0.09	0.50
Add: Provision for current taxation	-	4,405,946	-	0.30
	<u>1,259,744</u>	<u>11,654,177</u>	<u>0.09</u>	<u>0.80</u>
Less: Advance tax paid	1,353,724	10,394,433	0.09	0.71
	<u><b>(93,980)</b></u>	<u><b>1,259,744</b></u>	<u><b>(0.01)</b></u>	<u><b>0.09</b></u>
<b>13. Liability for expenses</b>				
Business promotion expenses	-	805,582	-	0.06
Audit fees	175,000	250,000	0.01	0.02
Creditors for imports	3,010,447	4,967,367	0.21	0.34
Salary payable	47,020	47,020	0.00	0.00
	<u><b>3,232,467</b></u>	<u><b>6,069,970</b></u>	<u><b>0.23</b></u>	<u><b>0.42</b></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>14. Payable to Holding Company</b>				
Bank guarantee commission	<u>3,609,981</u>	<u>3,609,981</u>	<u>0.25</u>	<u>0.25</u>
<b>15. Other liabilities</b>				
Advance from other customer	–	129,106	–	0.01
Provision for leave encashment	702,729	702,729	0.05	0.05
VAT and SD payable	2,768,485	741,997	0.19	0.05
Tax deducted from vendors' bills	13,594	101,863	0.00	0.01
	<u>3,484,808</u>	<u>1,675,695</u>	<u>0.24</u>	<u>0.11</u>
<b>16. Turnover</b>				
<b>Product</b>				
Parachute	11,500,933	60,468,324	0.80	4.15
Beli	–	1,732,924	–	0.12
Camelia	–	9,814,825	–	0.67
Aromatic (35 gram)	–	17,678,468	–	1.21
Hair code	50,754,396	9,384,100	3.54	0.64
Parachute extension	7,615,940	6,298,004	0.53	0.43
	<u>69,871,269</u>	<u>105,376,645</u>	<u>4.87</u>	<u>7.23</u>
<b>17. Cost of sales</b>				
<b>Product</b>				
Parachute	7,743,670	67,711,876	0.54	4.65
Beli	–	2,720,174	–	0.19
Camelia	–	9,186,206	–	0.63
Aromatic (35 gram)	–	15,503,950	–	1.06
Hair code	35,118,293	5,670,951	2.45	0.39
Parachute extension	2,059,570	5,221,700	0.14	0.36
	<u>44,921,533</u>	<u>106,014,857</u>	<u>3.13</u>	<u>7.27</u>
<b>18. General and administrative expenses</b>				
Salaries and allowances	9,690,200	12,089,437	0.68	0.83
Gratuity	(570,034)	570,034	(0.04)	0.04
Professional charges	515,600	645,757	0.04	0.04
Legal charges	31,430	662,490	0.00	0.05
Repairs and maintenance	30,455	169,777	0.00	0.01
Vehicles expenses	146,474	122,693	0.01	0.01
Communication expenses	2,235	41,268	0.00	0.00
Printing and stationery	17,478	18,153	0.00	0.00
Traveling and conveyance	1,265,509	2,679,161	0.09	0.18
Audit fees	81,750	124,900	0.01	0.01
Bank charges	191,224	184,198	0.01	0.01
Bank guarantee commission-Holding company	–	2,080,205	–	0.14
Staff welfare expenses	34,000	(60,300)	0.00	(0.00)
Conference and training expenses	1,879	137,342	0.00	0.01
Insurance	9,316	6,374	0.00	0.00
Depreciation	965,698	1,460,916	0.07	0.10
	<u>12,413,215</u>	<u>20,932,405</u>	<u>0.87</u>	<u>1.44</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	2009 Taka	2008 Taka	2009 Rs. Crore	2008 Rs. Crore
<b>19. Selling and distribution expenses</b>				
Business promotion expenses	213,068	(21,919,619)	0.01	(1.50)
Advertisement	42,518,568	7,172,100	2.96	0.49
Market research expenses	646,084	156,750	0.05	0.01
Freight-outward	–	31,900	–	0.00
	<u>43,377,720</u>	<u>(14,558,869)</u>	<u>3.02</u>	<u>(1.00)</u>
<b>20. Other income</b>				
Interest on savings account	617,214	189,236	0.04	0.01
Interest on fixed deposits	5,174,977	32,364,569	0.36	2.22
Exchange gain	–	103,609	–	0.01
	<u>5,792,191</u>	<u>32,657,414</u>	<u>0.40</u>	<u>2.24</u>

**21. 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 also was done by Marico employees.

**22. Subsequent Position**

There was no subsequent event, to report after the balance sheet date, which had an influence on the financial statements for the year ended 30 September 2007.

**23. General**

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

# KAYA LIMITED

**Board of Directors**

Harsh Mariwala

Ravindra Mariwala

Ajay Pahawa

**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](http://www.kayaclinic.com)



## DIRECTORS' REPORT

To

The Members

Your Board of Directors ('Board') is pleased to present the Seventh Annual Report together with audited accounts of your Company for the year ended March 31, 2010.

### FINANCIAL RESULTS - AN OVERVIEW

During the year under review, your Company reported a turnover of Rs. 126.14 Crores and an operating loss of Rs. 25.11 crore.

	Year ended March 31,	
	2010	2009
	Rs. Crore	Rs. Crore
Total Revenue	126.14	118.37
Profit / (Loss) Before Tax	(25.11)	(2.14)
Profit / (Loss) Before Tax from Continuing Operations	(14.20)	1.78
Less : Provision for Tax for Current Period (Fringe Benefit Tax +Deferred Tax)	0.00	0.35
Profit /(Loss) after Tax from Continuing Operations	(14.20)	1.43
Profit /(Loss) Before Tax from Discontinuing Operations	(10.91)	(3.92)
Less : Provision for Tax for Current Period (Fringe Benefit Tax +Deferred Tax)	0.00	0.00
Profit / (Loss) after Tax from Continuing Operations	(10.91)	(3.92)
Total Profit /(Loss) after Tax for current period	(25.11)	(2.49)
Add: Profit /(Loss) Brought Forward	(5.68)	(3.19)
Profit / (Loss) carried forward	<u>(30.79)</u>	<u>(5.68)</u>

### DISTRIBUTION TO SHAREHOLDERS

No dividend is being proposed for the year.

### REVIEW OF OPERATIONS

All the services offered at Kaya Skin Clinic are safe and efficacious, designed and supervised by a team of over 250 dermatologists and carried out by certified skin practitioners, each with more than 300 hours of training.

Kaya targets high-end customers in Socio Economic Class A with age group of 18-60 years across metros and mini metros in the country. The objective is to provide result-oriented, personalized, non-surgical skin care 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 dermatologically tested and approved for Indian Skin by the Kaya Skin Advisory. The key products include Skin Lightening Complex, Lighten and Smooth Under-eye gel, Daily Moisturizing Sunscreen, Soothing Cleansing Gel, Revitalising Tonic, Skin Repair Complex and Recharging Night crème.

Your Company had launched the "Kaya Life" prototype in the year 2008 as part of diversification of its business, to offer customers holistic weight management solution services and had opened 5 'Kaya life' centers in Mumbai and 1 centre in

## DIRECTORS' REPORT

Middle East. The business was started on prototype basis to be scaled upon in future depending upon the responses from the customers. The prototype had less than expected progress in building a sustainable business model during the past three years. Hence, the Management took a strategic decision in Mar 10 of closing down the centers.

During FY10, your company opened its first clinic in Dhaka, Bangladesh. Your Company currently has 87 Clinics operational across 27 cities in India and 13 in the Middle East in addition to the most recent one in Dhaka. The Kaya concept has been well received by the target consumers. The consumer base has grown beyond 5,00,000.

The service turnover reached Rs. 106.07 Crores in FY10 from Rs. 101.00 Crores during FY09, a growth of 5%. The sale of the skin care products of your Company also increased from Rs. 16.91 Crores in FY09 to Rs. 19.61 Crores in FY10, a growth of 16%.

### OTHER CORPORATE DEVELOPMENTS

#### Appointment of Company Secretary

Consequent upon resignation of Ms. Rachana Lodaya from the post of Company Secretary, with effect from the close of working hours on July 31, 2008, the Company had initiated the process of identifying a suitable candidate for the post of Company Secretary.

Ms. Deepali Bhandarkar, possessing the required qualification, has been appointed as the Company Secretary of the Company w.e.f August 18, 2009.

### 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., Everyday Radiance, Kaya Scarfree, Painfree Hairfree & Kaya Refresh were launched. The R&D team also developed new products viz., Foot Care Cream, Body Lotion & Men's Range.

### 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 "N".

### 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;

## DIRECTORS' REPORT

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, 2010 and the loss of your Company for the year ended March 31, 2010;
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

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.

### CHANGE IN BOARD OF DIRECTORS

Mr. Rakesh Pandey, Director & Manager, designated as "Chief Operating Officer of the Company resigned from the Board of Directors of the Company with effect from close of business hours on January 31, 2010. The Board of Directors has accepted his resignation and would like to place on record their sincere appreciation of the valuable services rendered by Mr. Pandey.

At its meeting held on January 22, 2010, the Board of Directors appointed Mr. Ajay Pahwa as an Additional Director & Manager designated as "Chief Executive officer" on the Board of your Company.

His term expires at the ensuing Annual General Meeting and being eligible he offers himself for appointment as Director liable to retire by rotation.

### AUDIT COMMITTEE

The Audit Committee (constituted by the Board of Directors at its meeting held on July 24, 2008, in accordance with Section 292A of the Companies Act, 1956) was re-constituted by the Board of Directors on January 22, 2010. The Audit Committee comprises the following Directors:

Mr. Harsh Mariwala	-	Chairman
Mr. Ajay Pahwa	-	Member
Dr. Ravi Mariwala	-	Member
Ms. Deepali Bhandarkar	-	Secretary to the Committee

### AUDITORS

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

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

### ACKNOWLEDGEMENT

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

**On behalf of the Board of Directors**

Place : Mumbai  
Date : April 28, 2010

**Harsh Mariwala**  
Chairman

**AUDITORS' REPORT**

TO,

**THE MEMBERS OF KAYA LIMITED**

1. We have audited the attached Balance Sheet of **Kaya Limited** (the "Company") as at March 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto (together referred as 'financial statements'), which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Without qualifying our opinion, we draw attention to Note 8 of Schedule O. As stated therein, the Company had incurred loss during the year and its net-worth has become negative as on the date of financial statement. These conditions indicate the existence of material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern. However, the management has continued to prepare its accounts on a going concern basis having regard to its future business plan, savings resulting from restructuring of operations, continuous support from its holding company to meet its funding requirements and other reasons detailed in the said note.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 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, 2010;
    - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Vilas Y. Rane**

Partner

Membership No.: F-33220

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

Place : Mumbai

Date : April 28, 2010

**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, 2010**

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.  
(c) The Company has not disposed off a substantial part of fixed assets during the year, and accordingly, going concern does not get affected.
2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.  
(b) The Company has taken interest free unsecured loans from the Holding company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans aggregate to Rs. 800,571,855 and Rs. 799,696,174  
(c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.  
(d) The said loan has not become due for repayment as at the year end.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section, except for loans taken from the Holding company as referred in Paragraph 3 above. The transaction being in nature of interest free loan, question of commenting on comparison with prevailing market price at the relevant time does not arise.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. The Company has an internal audit system, the frequency and coverage of which needs to be strengthened so as to be commensurate with the size of the Company and the nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

## ANNEXURE TO AUDITOR'S REPORT

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. As explained to us, the provisions of the investor education and protection fund, wealth tax and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, customs duty, service tax and cess which have not been deposited on account of any dispute as on March 31, 2010 except as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Finance Act 1994	Service tax	3,746,436	December 1, 2004 to March 31, 2006	Joint Commissioner– Service tax

10. The accumulated losses of the Company as on the balance sheet date are more than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit. The Company has not incurred cash losses in the immediately preceding financial year.
11. On the basis of our examination and according to the information and explanations given to us, the Company has not taken any loans from financial institutions, banks or debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

**Vilas Y. Rane**

Partner

Membership No.: F-33220

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

Place : Mumbai

Date : April 28, 2010

**BALANCE SHEET**

		As at March 31,	
SCHEDULE		2010 Rs. Crore	2009 Rs. Crore
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	<b>A</b>	14.50	14.50
Reserves and surplus	<b>B</b>	15.91	15.91
		<b>30.41</b>	<b>30.41</b>
<b>LOAN FUND</b>			
Unsecured loan	<b>C</b>	79.97	54.71
		<b>110.38</b>	<b>85.12</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross block	<b>D</b>	110.48	91.37
Less : Depreciation, amortisation and impairment		43.33	28.35
Net block		67.15	63.01
Capital work-in-progress [including capital advances]		0.97	2.37
		<b>68.12</b>	<b>65.38</b>
<b>DEFERRED TAX ASSET (net)</b>		-	-
(Refer Note 6(b) of Schedule O)			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	<b>E</b>	10.10	9.89
Sundry debtors	<b>F</b>	0.28	0.31
Cash and bank balances	<b>G</b>	1.50	2.78
Loans and advances	<b>H</b>	22.26	18.22
		34.14	31.20
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	<b>I</b>	16.97	16.54
Provisions	<b>J</b>	5.70	0.61
		22.67	17.15
<b>NET CURRENT ASSETS</b>		<b>11.47</b>	<b>14.06</b>
<b>PROFIT AND LOSS ACCOUNT</b>		<b>30.79</b>	<b>5.68</b>
		<b>110.38</b>	<b>85.12</b>
<b>ADDITIONAL INFORMATION</b>	<b>N</b>		
<b>NOTES TO ACCOUNTS</b>	<b>O</b>		

As per our attached report of even date

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

**VILAS Y. RANE**

Membership No. : F-33220

Place : Mumbai

Date : April 28, 2010

For and on behalf of the Board of Directors

**HARSH MARIWALA****AJAY PAHWA****Deepali Bhandarkar**

Chairman and Managing Director

Director

Company Secretary

Place : Mumbai

Date : April 28, 2010

## PROFIT AND LOSS ACCOUNT

	SCHEDULE	Year Ended March 31,	
		2010 Rs. Crore	2009 Rs. Crore
<b>INCOME :</b>			
Service income		106.07	101.06
Sale of products		19.61	16.91
Other income (Refer Note 5 of Schedule O)		0.46	0.40
		<b>126.14</b>	<b>118.37</b>
<b>EXPENDITURE :</b>			
Cost of materials	K	23.32	21.52
Operating and other expenses	L	110.73	88.77
Finance charges	M	1.97	1.31
Depreciation, amortisation and impairment (Refer Notes 5 and 12, Schedule R)	D	15.23	8.90
		<b>151.25</b>	<b>120.51</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>(25.11)</b>	<b>(2.14)</b>
<b>PROFIT / (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS</b>		<b>(14.20)</b>	<b>1.78</b>
Provision for taxation			
- Current Tax (Refer Note 6(a) of Schedule O)		-	-
- Deferred tax (Refer Note 6(b) of Schedule O)		-	-
- Fringe benefit tax		-	0.38
- Excess provision written back		-	(0.02)
<b>PROFIT / (LOSS) AFTER TAXATION FROM CONTINUING OPERATIONS</b>		<b>(14.20)</b>	<b>1.43</b>
<b>PROFIT / (LOSS) BEFORE TAXATION FROM DISCONTINUING OPERATIONS</b>		<b>(10.91)</b>	<b>(3.92)</b>
Provision for taxation			
- Current tax		-	-
- Deferred tax		-	-
<b>PROFIT / (LOSS) AFTER TAXATION FROM DISCONTINUING OPERATIONS</b>		<b>(10.91)</b>	<b>(3.92)</b>
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>(25.11)</b>	<b>(2.49)</b>
Balance brought forward as on April 1		(5.68)	(3.19)
<b>PROFIT / (LOSS) CARRIED TO THE BALANCE SHEET</b>		<b>(30.79)</b>	<b>(5.68)</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b> (in Rs.)		<b>(17.32)</b>	<b>(1.72)</b>
(Refer Note 9 of Schedule O)			
<b>ADDITIONAL INFORMATION</b>	N		
<b>NOTES TO ACCOUNTS</b>	O		

As per our attached report of even date

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

**VILAS Y. RANE**

Membership No. : F-33220

Place : Mumbai

Date : April 28, 2010

For and on behalf of the Board of Directors

**HARSH MARIWALA**

**AJAY PAHWA**

**Deepali Bhandarkar**

Chairman and Managing Director

Director

Company Secretary

Place : Mumbai

Date : April 28, 2010



## CASH FLOW STATEMENT

	Year Ended March 31,	
	2010	2009
	Rs. Crore	Rs. Crore
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	(25.11)	(2.14)
<b>Adjustments for:</b>		
Depreciation, amortization and impairment	15.23	8.90
Finance charges	1.97	1.31
Interest Income	(0.01)	(0.01)
Loss/ (Profit) on sale of assets (net)	0.32	(0.01)
Dividend Income	–	–
(Writeback) / Provision for doubtful debts / advances	0.04	0.03
	<u>17.55</u>	<u>10.23</u>
<b>Operating profit / (loss) before working capital changes</b>	<b>(7.55)</b>	<b>8.09</b>
<b>Adjustments for:</b>		
Increase / (decrease) in Inventories	0.21	(0.44)
Increase / (decrease) in Debtors	(0.06)	(0.04)
Increase / (decrease) in Loans and advances	4.03	5.49
(Increase) / decrease in Current liabilities	(5.53)	(2.59)
	<u>(1.35)</u>	<u>2.42</u>
<b>Cash generated from / (used in) operations</b>	<b>(6.21)</b>	<b>5.67</b>
Taxes paid	0.07	0.36
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(6.28)</b>	<b>5.31</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(18.55)	(21.77)
Sale of fixed assets	0.25	0.12
Dividend Income	–	–
Interest Income	–	–
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(18.29)</b>	<b>(21.65)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from holding company (net of repayments)	25.26	18.81
Finance charges	(1.97)	(1.31)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>23.29</b>	<b>17.49</b>
<b>D NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(1.28)</b>	<b>1.15</b>
<b>E Cash and cash equivalents - opening balance</b>	<b>2.78</b>	<b>1.63</b>
<b>F Cash and cash equivalents - closing balance</b>	<b>1.50</b>	<b>2.78</b>

## Notes:

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

As per our attached report of even date

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

**VILAS Y. RANE**

Membership No. : F-33220

Place : Mumbai

Date : April 28, 2010

For and on behalf of the Board of Directors

**HARSH MARIWALA**

**AJAY PAHWA**

**Deepali Bhandarkar**

Chairman and Managing Director

Director

Company Secretary

Place : Mumbai

Date : April 28, 2010

**SCHEDULES TO BALANCE SHEET**

As at March 31,

**SCHEDULE 'A'**  
**SHARE CAPITAL**  
**AUTHORISED:**

20,000,000 Equity shares of Rs. 10 each

2010 Rs. Crore	2009 Rs. Crore
20.00	20.00
<b>20.00</b>	<b>20.00</b>

**ISSUED AND SUBSCRIBED:**

14,500,000 Equity shares of Rs. 10 each fully paid up  
(Entire share capital is held by Marico Limited, the holding company, including its nominees)

14.50	14.50
<b>14.50</b>	<b>14.50</b>

**SCHEDULE 'B'**  
**SHARE PREMIUM ACCOUNT**

15.91	15.91
<b>15.91</b>	<b>15.91</b>

**SCHEDULE 'C'**  
**UNSECURED LOAN**

Loan from the holding company  
(There are no stipulations as regard to the repayment of these loans)

79.97	54.71
<b>79.97</b>	<b>54.71</b>

**SCHEDULE 'D'**  
**FIXED ASSETS**

(Amount in Rs. Crore)

PARTICULARS	GROSS BLOCK				DEPRECIATION/ AMORTISATION					NET BLOCK	
	As at April 1, 2009	Additions	Deductions/ Adjustments	As at March 31, 2010	As at April 1, 2009	For the Year	Deductions/ Adjustments	As at March 31, 2010	Provision for Impairment as at March 31, 2010	As at March 31, 2010	As at March 31, 2009
<b>Tangible assets</b>											
Buildings	16.87	—	—	16.87	0.41	0.27	—	—	0.69	16.18	16.46
Plant and machinery	59.26	13.12	0.39	71.99	24.63	8.83	0.12	1.47	33.34	37.18	34.63
Furniture and fittings (Refer note below)	13.64	6.39	0.43	19.60	2.17	3.40	0.13	0.86	5.44	13.30	11.47
Vehicle	0.08	—	—	0.08	0.01	0.01	—	—	0.02	0.06	0.07
<b>Intangible assets</b>											
Computer software	1.52	0.43	—	1.94	1.13	0.39	—	—	1.52	0.42	0.39
<b>TOTAL</b>	<b>91.37</b>	<b>19.94</b>	<b>0.83</b>	<b>110.48</b>	<b>28.35</b>	<b>12.90</b>	<b>0.25</b>	<b>2.33</b>	<b>41.00</b>	<b>67.15</b>	<b>63.01</b>
As at March 31, 2009	69.32	22.27	0.22	91.37	19.57	8.90	0.11	2.33	28.35	63.01	
Capital work in progress (at cost) including capital advances										0.97	2.37
										<b>68.12</b>	<b>65.38</b>

**Note:**

Furniture and fittings also includes leasehold improvements, the amounts for which is not separately identifiable.

## SCHEDULES TO BALANCE SHEET

	As at March 31,	
	2010 Rs. Crore	2009 Rs. Crore
<b>SCHEDULE 'E'</b>		
<b>INVENTORIES</b>		
(Refer Note 2(e) of Schedule O)		
Raw materials	1.03	0.84
Packing materials	1.09	1.58
Consumables and spares	6.03	5.79
Work-in-process	0.22	–
Finished products	1.73	1.68
	<b>10.10</b>	<b>9.89</b>
<b>SCHEDULE 'F'</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	0.01	–
Considered doubtful	–	0.03
	0.01	0.04
Other debts - considered good	0.27	0.31
	0.28	0.35
Less : Provision for doubtful debts	–	0.03
	<b>0.28</b>	<b>0.31</b>
* Debtors include receivable from fellow subsidiary Marico Bangladesh Limited of Rs. 943,256 (Rs. Nil). [Maximum amount due during the year is Rs. 943,256 (Rs. Nil)]		
<b>SCHEDULE 'G'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	0.65	0.97
Balances with scheduled banks:		
In current accounts	0.71	1.67
In fixed deposits @	0.14	0.15
	<b>1.50</b>	<b>2.78</b>
@ Includes Rs. 1,421,059 (Rs. 1,491,059) pledged with bank against bank guarantees issued. (Refer Note 3 of Schedule O)		

**SCHEDULES TO BALANCE SHEET**

As at March 31,

	2010 Rs. Crore	2009 Rs. Crore
<b>SCHEDULE 'H'</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received*		
Considered good	4.81	3.84
Considered doubtful	0.06	–
	4.88	3.84
Less : Provision for doubtful advances	0.06	–
	4.81	3.84
Deposits	16.94	14.31
Balance with central excise authorities	0.36	–
Interest accrued but not due	0.04	0.03
Fringe benefit tax (net)	0.08	0.01
Tax deducted at source	0.03	0.03
	<b>22.26</b>	<b>18.22</b>
* Advances include receivable from the fellow subsidiary Kaya Middle East FZE of Rs. 8,579,361 (Rs. 4,099,068). [Maximum amount due during the year is Rs. 10,587,396 (Rs.8,341,245)]		
<b>SCHEDULE 'I'</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
- Due to Micro & Small Enterprises (Refer Note 15 of Schedule O)	–	–
- Others	11.48	11.06
Advances received from customers	4.08	3.84
Book overdraft	0.27	0.94
Other liabilities	1.14	0.70
	<b>16.97</b>	<b>16.54</b>
<b>SCHEDULE 'J'</b>		
<b>PROVISIONS</b>		
- Gratuity	0.29	0.19
- Leave encashment	0.49	0.42
- Others (Refer Note 15 of Schedule O)	4.92	–
	<b>5.70</b>	<b>0.61</b>

## SCHEDULES TO PROFIT AND LOSS ACCOUNT

	Year ended March 31,	
	2010 Rs. Crore	2009 Rs. Crore
<b>SCHEDULE 'K'</b>		
<b>COST OF MATERIALS</b>		
Raw materials consumed	2.50	1.87
Packing materials consumed	2.40	2.44
Consumables and spares	17.19	16.37
Purchase for resale	0.69	0.20
Contract manufacturing expenses	0.81	0.74
(Increase) / decrease in stocks:		
Opening stocks		
- Work-in-process	-	-
- Finished products	1.68	1.58
Closing stocks		
- Work-in-process	0.22	-
- Finished products	1.73	1.68
	<b>(0.27)</b>	<b>0.06</b>
	<b>23.32</b>	<b>21.52</b>
<b>SCHEDULE 'L'</b>		
<b>OPERATING AND OTHER EXPENSES</b>		
Employees' costs :		
Salaries, wages and bonus (Refer Note 14 of Schedule O)	19.26	15.85
Contribution to provident fund and other funds	1.05	0.81
Welfare expenses	3.27	2.98
	23.58	19.64
Seconded employees cost	3.10	5.54
Payments to consultants	13.50	9.83
Recruitment charges	0.82	1.58
Electricity	4.47	3.59
Rent (Refer Note 14 of Schedule O)	21.27	13.94
Repairs and maintenance:		
-Plant and machinery	0.56	0.50
-Building	5.42	4.67
-Others	1.72	1.07
	7.70	6.25
Insurance	0.15	0.12
Rates and taxes (Refer Note 14 of Schedule O)	0.49	1.00
Legal and professional charges	2.51	1.83
Travelling, conveyance and vehicle expenses	4.02	3.53
Freight forwarding and distribution expenses	0.26	0.28
Advertisement and sales promotion (Refer Note 13 of Schedule O)	22.76	17.10
Printing, stationery and communication expenses	3.04	2.70
Bad debts	0.03	-
Less : Provision for doubtful debts utilised	(0.03)	-
	-	-
Provision for doubtful debts	0.01	0.03
Provision for doubtful advances	0.06	-
Auditors' remuneration		
- Statutory audit fees	0.07	0.07
- Tax audit fees	0.01	0.02
- Out of pocket expenses	-	-
	0.08	0.09
Loss on sale of assets (net)	0.32	-
Miscellaneous expenses (Refer Note 14 of Schedule O)	2.59	1.70
	<b>110.73</b>	<b>88.77</b>
<b>SCHEDULE 'M'</b>		
<b>FINANCE CHARGES</b>		
Bank and other financial charges	1.97	1.31
	<b>1.97</b>	<b>1.31</b>

## SCHEDULES TO PROFIT AND LOSS ACCOUNT

### ADDITIONAL INFORMATION

#### SCHEDULE 'N'

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

Sr	Particulars	Unit	Opening Stock		Production Quantity*	Purchases		Sale		Captive Consumption Quantity	Closing Stock	
			Quantity	Amount Rs. Crore		Quantity	Amount Rs. Crore	Quantity	Amount Rs. Crore		Quantity	Amount Rs. Crore
1	Skin Care Products	Nos.	275,327	1.68	562,025	30,910	0.69	406,494	19.61	189,922	271,846	1.73
		Nos.	183,665	1.58	763,800	4,680	0.20	370,433	16.91	306,385	275,327	1.68
2	Service Income		-	-	-	-	-	-	106.07	-	-	-
			-	-	-	-	-	-	101.06	-	-	-
<b>TOTAL</b>			<b>275,327</b>	<b>1.68</b>	<b>562,025</b>	<b>30,910</b>	<b>0.69</b>	<b>406,494</b>	<b>125.68</b>	<b>189,922</b>	<b>271,846</b>	<b>1.73</b>
<b>TOTAL</b>			<b>183,665</b>	<b>1.58</b>	<b>763,800</b>	<b>4,680</b>	<b>0.20</b>	<b>370,433</b>	<b>117.97</b>	<b>306,385</b>	<b>275,327</b>	<b>1.68</b>

@ Represents quantities produced by third parties under contract with the company and includes samples

#### Year ended March 31,

	2009		2008	
	Qty in Kgs.	Value Rs. Crore	Qty Kgs.	Value Rs. Crore
<b>SCHEDULE 'N'</b>				
<b>B) RAW MATERIALS CONSUMED</b>				
Chemicals	48,601	2.50	43,687	1.87
	<u>48,601</u>	<u>2.50</u>	<u>43,687</u>	<u>1.87</u>

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

	2009		2008	
	Percentage	Value Rs	Percentage	Value Rs.
<b>C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED</b>				
Raw materials				
– Imported	25%	0.62	35%	0.65
– Indigenous	75%	1.88	65%	1.22
	<u>100%</u>	<u>2.50</u>	<u>100%</u>	<u>1.87</u>
Consumables				
– Imported	21%	3.61	17%	2.73
– Indigenous	79%	13.58	83%	13.64
	<u>100%</u>	<u>17.19</u>	<u>100%</u>	<u>16.37</u>
<b>D) VALUE OF IMPORTS ON C.I.F. BASIS</b>				
Raw Materials		0.66		0.42
Packing Materials		0.72		1.28
Consumables		3.01		2.77
Capital goods		4.57		7.26
		<u>8.96</u>		<u>11.73</u>
<b>E) EXPENDITURE IN FOREIGN CURRENCY</b>				
Travelling		0.27		0.06
Professional fees		0.03		0.04
		<u>0.30</u>		<u>0.10</u>
<b>F) INCOME IN FOREIGN CURRENCY</b>				
For services rendered		-		-
For export of goods on F.O.B basis		0.39		0.19
		<u>0.39</u>		<u>0.19</u>

## NOTES TO THE ACCOUNTS

### SCHEDULE 'O'

#### 1) The Company and nature of its operations:

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

During the year, management of the Company has decided to discontinue its operations of Kaya Life Centers with effect from April 30, 2010.

#### 2) Summary of significant accounting policies:

##### a. Basis of preparation of financial statements

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

##### b. Use of Estimates

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

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

##### c. Fixed assets

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

##### d. Depreciation/ Amortisation

##### 1) Tangible assets

- (i.) Depreciation is provided on Straight Line basis at higher of the rates based on useful lives of the assets as estimated by the management or those stipulated in Schedule XIV to the Companies Act, 1956. The useful lives of the following assets as estimated by the management are higher from the rates prescribed under Schedule XIV to the Companies Act, 1956:

Computer hardware, related peripherals etc.	3 years
Technologically advanced machinery	3 to 7 years
Furniture and Fixtures (Including lease hold improvements)	9 years

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

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

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

## NOTES TO THE ACCOUNTS

### 2) Intangible assets

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

### e. Impairment

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

### f. Inventories

- 1) Raw material, packing material, stores, spares and consumables are valued at cost.
- 2) Finished products and work in progress are valued at lower of cost and net realizable value.
- 3) Cost is ascertained on weighted average method and in case of finished products and work in progress, it includes appropriate production overheads and duties.

### g. 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.

### h. Revenue recognition

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

### i. Retirement benefits

#### 1) Long-term Employee Benefits

##### (i.) Defined Contribution Plans

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

##### (ii.) Defined Benefit Plans

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

- 2) Actuarial gains and losses due to changes in actuarial assumptions are recognised immediately in the profit and loss account as income or expense.

### j. Foreign currency transactions

- 1) Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the profit and loss account.
- 2) Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates, and the resultant exchange difference is recognised in the profit and loss account.



## NOTES TO THE ACCOUNTS

k. Accounting for taxes on income

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

l. Share Issue Expenses

Share issue expenses are adjusted against balance in securities premium account.

m. Assets taken on lease:

- (i) In respect of finance lease arrangements, the assets are capitalized and depreciated. Finance charges are charged off to the Profit and Loss account of the year in which they are incurred.
- (ii) Operating lease payments are recognized as expenditure in the Profit and Loss account as per the terms of the lease arrangements.

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.

3) a) Contingent liabilities not provided for :

Particular	As at March 31,	
	2010 Rs. Crore	2009 Rs. Crore
Disputed service tax matters	0.37	0.37
Guarantees issued by banks	0.14	0.16
Lease termination cost (refer note 8 below)	2.00	—
Claims against the Company not acknowledged as debts	0.81	—

- b) The Company has been sanctioned cash credit and letter of credit facilities of Rs. 8 Cr. (Rs. 8 Cr.) by a bank. These facilities are guaranteed by the Holding Company. Amount outstanding towards these facilities on account of letter of credit is Rs. 0.21 Cr. (Rs.0.76 Cr.).

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 0.26 Cr. (Rs.2.00 Cr.) net of capital advances.

## NOTES TO THE ACCOUNTS

## 5) Other income includes :

Particular	Year ended March 31,	
	2010 Rs. Crore	2009 Rs. Crore
Sundry balances written back (net)	0.01	0.38
Profit on sale of fixed assets (net)	—	0.01
Exchange gains (net)	0.11	—
Interest income (Includes tax deducted at source Rs. 2,702 (Previous year Rs. 20,760))	0.01	0.01
Dividend Income from Current Investments	—	—
Excess provisions written back	0.34	—
Total	0.47	0.40

## 6) Disclosure in respect of discontinuance of operations

## a) Description of the discontinuing operation:

The Company had in the year 2008 as part of diversification of its business, started providing weight management solution services and had opened 5 clinics under the name of 'Kaya life'. The business was started on prototype basis to be scaled upon in future depending upon the responses from the customers. The business had not performed up to the expectation and had been incurring losses. During the year, the Company made strategic decision to abandon the prototype and accordingly, the management in March 2010 announced its plan to discontinue the operations and communicated the same to its employees, customers, owner of premises and other affected parties. The clinics will be closed with effect from April 30, 2010.

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

Consequent to the said plans, the Company has incurred total loss of Rs. 5.16 Cr., out of which the Company has made provisions for estimated cost of Rs. 2.62 Cr. arising on account of discontinuance of operations in the financial statements as under:

Particular	Amount Rs. Crore	Amount Rs. Crore
Provision for impairment of fixed assets		2.34
Provision for others:		
Lease termination cost	1.58	
Employees termination cost	0.22	
Customers refunds (included in miscellaneous expenses)	0.81	2.62
Total		4.96

Apart from the above, the Company has also written down inventory to estimated realizable value resulting in charge of Rs. 0.20 Cr. to the profit and loss account. (Included in miscellaneous expenses)

These provisions / write down are included in the respective head of accounts in the profit and loss account and also forms part of loss of Rs. 10.91 Cr. attributable to discontinued operations reported as a separate component of the loss for the year on the face of the profit and loss account.

## c) The date and nature of initial disclosure event:

In terms of the Board resolution dated March 22, 2010 the Board of Directors of the Company has approved a detailed, formal plan for the discontinuance and made an announcement of the same.

## d) The discontinuance of operation of the Company is expected to complete in financial year ending March 31, 2011.

## NOTES TO THE ACCOUNTS

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

Particular	As at March 31,	
	2010 Rs. Crore	2009 Rs. Crore
<b>ASSETS :</b>		
Net block of fixed assets (net of provisions for impairment)	1.02	2.80
Inventories	0.02	0.06
Cash and Bank	0.01	0.02
Loans and Advances	1.55	1.27
<b>TOTAL ASSETS</b>	<b>2.60</b>	<b>4.15</b>
<b>LIABILITIES :</b>		
Sundry Creditors	0.04	0.12
Provisions	2.62	—
<b>TOTAL LIABILITIES</b>	<b>2.66</b>	<b>0.12</b>

The management of the Company expects that the above assets and liabilities in respect of the Kaya Life Centers will be realized and settled respectively at the carrying values

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

Particular	Year ended March 31,	
	2010 Rs. Crore	2009 Rs. Crore
Revenue	2.70	1.89
Expenses	8.45	5.81

Particular	Year ended March 31,	
	2010 Rs. Crore	2009 Rs. Crore
Sale of Services	2.70	1.89
Other Income	—	—
<b>Total Income</b>	<b>2.70</b>	<b>1.89</b>
Cost of materials	0.45	0.27
Operating and other expenses	7.40	5.01
Finance charges	0.08	0.03
Depreciation and amortization	0.52	0.50
<b>Total Expenses</b>	<b>8.45</b>	<b>5.81</b>
<b>Profit/(Loss) before tax and exceptional item</b>	<b>(5.75)</b>	<b>(3.92)</b>
Less: Profit/(Loss) on discontinuance of operations	(5.16)	—
<b>Profit/(Loss) after exceptional item</b>	<b>(10.91)</b>	<b>(3.92)</b>

## NOTES TO THE ACCOUNTS

- g) The pre-tax loss and income tax expense related thereto, attributable to the discontinuing operation are as follows:

Particular	Year ended March 31,	
	2010	2009
	Rs. Crore	Rs. Crore
Pre-tax loss	(10.91)	(3.92)
Tax expense	—	—
After tax loss	(10.91)	(3.92)

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

Particular	Year ended March 31,	
	2010	2009
	Rs. Crore	Rs. Crore
Operating activities	(6.73)	(3.38)
Financing activities	(0.78)	(1.67)
Investing activities	(0.08)	(0.03)

- 7) During the year as part of restructuring and rationalization of the operations, the Company, apart from the discontinuance of Kaya Life Centers, decided to close down its seven clinics across various locations, which were not performing as per the expectations. The Clinics will be closed with effect from June 30, 2010.

Consequent to the said plans, the Company has recognized a charge of Rs. 2.13 Cr., in the profit and loss account including provisions for estimated cost of Rs. 0.90 Cr. arising on account of closure of the clinics. Details of the same are as under:

Particulars	(Amount in Rupees Cr.)	
	Amount	Amount
Accelerated depreciation on fixed assets used in clinics based on revised estimates of useful life		1.23
<u>Provisions for others:</u>		
Lease termination cost	0.86	
Employees termination cost	0.04	0.90
<b>Total</b>		<b>2.13</b>

These provisions are included in the respective head of accounts in the profit and loss account.

- 8) Other Provisions in schedule 'J' includes:

	(Amount in rupees Crores)				
	Lease termination cost*	Employees termination cost*	Customers Refunds*	Site restoration Cost**	Total
Opening Balance	—	—	—	—	—
Add: Provisions made	2.44	0.27	0.81	1.40	4.92
Less: Provisions utilized/reversed	—	—	—	—	—
Closing Balance	2.44	0.27	0.81	1.40	4.92

**Notes:**

- \* Above provisions, except site restoration cost, represents estimates made for probable liability arising on account of closure of Kaya Life operations and close down of seven clinics of Kaya Skin (refer Note 6 & 7 above). Provision for lease termination cost are towards lock in period rent which are recognized to the extent it is more than probable that outflow of resources will be required to settle the transactions. The balance amount is treated as contingent in nature.

## NOTES TO THE ACCOUNTS

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

- 9) The Company had been incurring losses since inception. The net-worth of the Company had turned negative during the year end, particularly due to significant losses incurred during the year. The management believes that losses incurred during the year were abnormally high due to combined effect of economic slow down, 31 new clinics opened in the last two years (Which as per normal business model are expected to make profits after 3 – 4 years), significant spend on advertising and restructuring cost as referred in Note 6 and 7 above. The management believes that these losses are not reflective of future trends and operations of the Company. The management of the Company continues to have belief in its robust business model. As per future business plans and cash flow projections, the operations of the Company are expected to improve significantly, due to improvements in the economic conditions, maturity of new clinics and savings resulting from restructuring of operations. Having regard to the above factors and continuing support from the Holding Company for meeting its funding requirement, these financial statements of the Company have been prepared by the management on going concern basis.
- 10) a) Provision for income tax is not made in view of assessable loss for the year.  
b) As at the year end, deferred tax liability is Rs. Nil. No deferred tax assets has been recognised on carried forward depreciation, business loss and other item of deferred tax assets, as there is no virtual certainty of its realization on account of the losses incurred by the Company.

### 11) Operating Leases

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

Initial direct cost incurred by the company for above operating lease arrangements are amortised over a non cancellable period of lease agreement.

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

Particular	As at March 31,	
	2010 Rs. Crore	2009 Rs. Crore
Lease rentals recognized in the profit and loss account *	21.27	13.94
Future minimum lease rentals payments payable:		
- not later than one year	15.23	10.70
- Later than one year but not later than five years	52.31	36.41
- Later than five years	4.70	8.11
	<b>72.24</b>	<b>55.22</b>

\*Includes provision for lease termination cost referred in Note 6 and 7 above.

## NOTES TO THE ACCOUNTS

### 12) Derivative Transaction -

The Company has not entered into any derivative transactions during the year and there were no derivative transactions outstanding as on March 31, 2010. Net foreign currency exposure not hedged as at the year end were as under:-

Particulars	Foreign currency amount			Equivalent amount in Rupees (In Crores)	
	Currency	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at March 31, 2009
Sundry creditors	AUD	—	41	—	—
	EURO	332	—	—	—
	USD	313	—	—	—
Advances recoverable in cash or kind	USD	175,952	4,932	0.79	0.02
	AED	151,720	—	0.86	—
	EURO	1,324	63,150	0.01	0.42
Capital advances	USD	—	79,573	—	0.28
Sundry debtors	USD	21,003	—	0.09	—

### 13) Earnings per share:

Particular	Year ended March 31,	
	2010 Rs. Crore	2009 Rs. Crore
Profit / (Loss) after tax (Rs. in Cr.)	(25.11)	(2.49)
Equity shares outstanding as at the year end (In Cr.)	14.50	14.50
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share (In Cr.)	14.50	14.50
Nominal value per equity share (Rs.)	10	10
Basic and diluted earnings per equity share (Rs.)	(17.32)	(1.72)

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

### 15) Related Party disclosures

#### a. Enterprises where control exists

i. Holding Company Marico Limited

#### b. Other Related Parties with whom the Company had transactions during the year

i. Fellow Subsidiary Kaya Middle East FZE

ii Fellow Subsidiary Marico Bangladesh Limited

## NOTES TO THE ACCOUNTS

Disclosure of transactions between the Company and related parties and outstanding balances as at the year end:

Particular	Year ended March 31,	
	2010 Rs. Crore	2009 Rs. Crore
a. Marico Limited - Holding Company		
Transactions during the year -		
Unsecured loans taken (net of repayments)	22.20	12.45
Reimbursement of expenses (Seconded employees cost, rent, electricity and others)	3.87	6.36
Reimbursement of expenses incurred by the Company on behalf of the Holding Company		
Rent	75.15	—
Others	0.06	—
Balances as at the year end -		
Unsecured loans taken	79.97	54.71
Guarantees given to the bank (Refer Note 3 above)	8	8
b. Kaya Middle East - Fellow Subsidiary		
Transactions during the year -		
Reimbursement of expense incurred	1.11	0.48
Sale of products	0.15	0.19
Sale of fixed assets	—	0.06
Sale of spares	0.04	—
Balances as at the year end -		
Outstanding Receivables	0.86	0.41
c. Marico Bangladesh Limited - Fellow Subsidiary		
Transactions during the year -		
i. Sale of products	0.10	—
ii. Sale of fixed assets	0.12	—
iii. Sale of Consumables	0.09	—
Balances as at the year end -		
i. Outstanding Receivables	0.09	—

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

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

a) Brief descriptions of the plans:

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

b) Defined contribution plan (Provident fund):

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

## NOTES TO THE ACCOUNTS

Particular	Year ended March 31,	
	2010 Rs. Crore	2009 Rs. Crore
Contribution to provident fund	0.84	0.63
Contribution to employee state insurance contribution	0.21	0.18
c) <u>Defined benefit plans (Gratuity unfunded):</u>		
Particular	As at March 31,	
	2010	2009
Actuarial assumptions:		
Discount rate	7.50%	6.00%
Rate of return on plan assets	—	—
Future salary rise	10.00%	7.00%
Attrition rate	30.00%	40.00%
Change in defined benefit obligations:		
Liability at the beginning of the year	0.19	0.14
Interest cost	0.02	0.02
Current service cost	0.08	0.10
Liability Transfer in	—	—
Past service cost (vested and non vested benefits)	—	—
Benefits paid	(0.02)	(0.01)
Actuarial (gain) / loss on obligations	0.02	(0.06)
Liability at the end of the year	0.29	0.19
Liability recognised in the Balance Sheet:		
Liability at the end of the year	0.29	0.19
Fair value of plan assets at the end of the year	—	—
Difference	(0.29)	(0.19)
Unrecognised past service cost	—	—
Liability recognised in the Balance Sheet	0.29	0.19
Expenses recognised in the Profit and Loss Account:		
Current service cost	0.08	0.10
Interest cost	0.02	0.02
Expected return on plan assets	—	—
Net actuarial (gain) / loss to be recognised	0.02	(0.06)
Past service cost (vested and non vested benefits)	—	—
Expense recognised in Profit and Loss Account	0.12	0.06
<u>Balance Sheet reconciliation:</u>		
Opening net liability	0.19	0.14
Expenses as above	0.12	0.06
Benefits paid	(0.02)	(0.01)
Closing net liability	0.29	0.19
<u>Experience adjustments:</u>		
On plan liability (gain) / loss	0.03	—

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 THE ACCOUNTS**

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	(In Crores)	
	March 31, 2010	March 31, 2009
Opening Balance of Compensated Absences (a)	0.42	0.24
Present value of Compensated Absences(As per actuary valuation) as at the year end (b)	0.49	0.42
(Excess)/ Unfunded liability of Compensated Absences recognized in the Profit and Loss Account for the year (b – a)	0.07	0.17

- 17) The advertisement and sales promotion expenditure includes Rs. Nil (Rs. 0.23 Cr.) relating to prior period.
- 18) Rates and taxes includes Rs. 0.10 Cr. (Rs. 0.63 Cr.) on account of provisions made towards property tax demand of a rented premises received during the year, which in terms of agreement with the lessor is payable by the Company.
- 19) The Company had not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence the disclosures, if any, relating to amounts unpaid as at the previous year end together with interest payable as required under the said Act have not been given.
- 20) Research and Development expenses aggregating Rs. 0.50 Cr. (Rs. 0.29 Cr.) have been included under the relevant heads in the Profit and Loss account.
- 21) (a) The figures in brackets represent those of the previous year  
 (b) The figures for the previous year have been regrouped where necessary to conform to current year classification.

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**Signatures to Schedules A to O**

For **Price Waterhouse**

Chartered Accountants

Firm Registration Number: 301112E

**VILAS Y. RANE**

Membership No. : F-33220

Place : Mumbai

Date : April 28, 2010

For and on behalf of the Board of Directors

**HARSH MARIWALA**

**AJAY PAHWA**

**Deepali Bhandarkar**

Chairman and Managing Director

Director

Company Secretary

Place : Mumbai

Date : April 28, 2010

# MARICO MIDDLE EAST FZE

**Board of Directors**

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

S. Mohan

Sudhir Rehgarh

**Secretary, Manager, Negotiator**

Sudhir Rehgarh

**Registered Office**

Office No. LB15326, Jebel Ali, Dubai, UAE

**Auditors**

M/s. Pannell Kerr Forster

Chartered Accountants

**Bankers**

Standard Chartered Bank

**Legal Advisors**

M/s. Pannell Kerr Forster

Chartered Accountants

## AUDITORS' REPORT

### 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 2010, 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 notes set out on pages 75 to 92.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MARICO MIDDLE EAST FZE as of 31 March 2010, 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 the financial statements comply with Implementing Regulation No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law NO.9 of 1992. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulation.

Dubai  
United Arab Emirates  
19 April 2010

**PANNELL KERR FORSTER**

## STATEMENTS OF FINANCIAL POSITION

	Notes	As at March 31 ,			
		2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	6	404,125	176,027	0.49	0.24
Investment in subsidiaries	7	32,001,823	12,917,823	39.14	17.84
Non-current financial asset	8	47,031,898	30,929,667	57.52	42.72
		<u>79,437,846</u>	<u>44,023,517</u>	<u>97.15</u>	<u>60.80</u>
<b>CURRENT ASSETS</b>					
Inventories	9	–	88,106	–	0.12
Trade and other receivables	10	25,113,712	20,744,400	30.71	28.65
Cash and cash equivalents	12	244,453	67,322	0.30	0.09
		<u>25,358,165</u>	<u>20,899,828</u>	<u>31.01</u>	<u>28.86</u>
<b>TOTAL ASSETS</b>		<b><u>104,796,011</u></b>	<b><u>64,923,345</u></b>	<b><u>128.16</u></b>	<b><u>89.65</u></b>
<b>CURRENT LIABILITIES</b>					
Bank borrowings	13	44,459,350	30,892,200	54.37	42.67
Trade and other payables	14	24,584,694	15,450,018	30.06	21.33
		<u>69,044,044</u>	<u>46,342,218</u>	<u>84.43</u>	<u>64.00</u>
<b>NON-CURRENT LIABILITIES</b>					
Provision for staff-end-of service gratuity	15	292,729	189,313	0.36	0.26
<b>SHAREHOLDER'S FUNDS</b>					
Share capital	16	22,000,000	1,000,000	26.90	1.37
Retained earnings		10,963,599	7,110,423	13.41	9.82
Equity funds		32,963,599	8,110,423	40.31	11.19
Loan from parent company	17	2,495,639	10,281,391	3.05	14.20
		<u>35,459,238</u>	<u>18,391,814</u>	<u>43.36</u>	<u>25.39</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>104,796,011</u></b>	<b><u>64,923,345</u></b>	<b><u>128.16</u></b>	<b><u>89.65</u></b>

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

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

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

Authorised for issue by the directors on 14 April 2010.

For **MARICO MIDDLE EAST FZE**

Date : 14 April 2010

**S. Mohan**  
DIRECTOR

**Sudhir Rehgarh**  
DIRECTOR

Note: The exchange rate used to convert AED to Rs. 12.229 / AED (Rs. 13.811 / AED)

## STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended March 31,			
		2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
Revenue		91,065,039	78,508,752	111.36	108.43
Purchases of inventory		(38,818,420)	(38,317,914)	(47.47)	(52.92)
<b>GROSS PROFIT</b>		<b>52,246,619</b>	<b>40,190,838</b>	<b>63.89</b>	<b>55.51</b>
Other operating income		64,426	–	0.08	–
Staff cost	15	(4,643,664)	(3,195,288)	(5.68)	(4.41)
Depreciation	20	(27,700)	(21,115)	(0.03)	(0.03)
Other operating expenses	21	(42,948,615)	(27,156,216)	(52.52)	(37.51)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>4,691,066</b>	<b>9,818,219</b>	<b>5.74</b>	<b>13.56</b>
Interest income	22	959,784	657,813	1.17	0.91
Finance costs	23	(1,797,674)	(2,360,861)	(2.20)	(3.26)
<b>PROFIT FOR THE YEAR</b>		<b>3,853,176</b>	<b>8,115,171</b>	<b>4.71</b>	<b>11.21</b>
Other comprehensive income		–	–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,853,176</b>	<b>8,115,171</b>	<b>4.71</b>	<b>11.21</b>

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

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

For **MARICO MIDDLE EAST FZE**

Date : 14 April 2010

**S. Mohan**  
DIRECTOR

**Sudhir Rehgarrh**  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2010

	Share Capital AED	Retained earnings/ (Accumulated) losses AED	Total AED
As at 31.3.2008	1,000,000	(1,004,748)	(4,748)
Total comprehensive income for the year	–	8,115,171	8,115,171
<b>As at 31.3.2009</b>	<b>1,000,000</b>	<b>7,110,423</b>	<b>8,110,423</b>
Issue of share capital	21,000,000	–	21,000,000
Total comprehensive income for the year	–	3,853,176	3,853,176
<b>As at 31.3.2010</b>	<b>22,000,000</b>	<b>10,963,599</b>	<b>32,963,599</b>

  

	Share Capital Rs. Crore	(Accumulated) losses Rs. Crore	Total Rs. Crore
As at 31.3.2008	1.38	(1.39)	(0.01)
Total comprehensive income for the year	–	11.21	11.21
<b>As at 31.3.2009</b>	<b>1.38</b>	<b>9.82</b>	<b>11.20</b>
Issue of share capital	25.68	–	25.68
Total comprehensive income for the year	–	4.71	4.71
<b>As at 31.3.2010</b>	<b>26.90</b>	<b>13.41</b>	<b>40.31</b>

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

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

For MARICO MIDDLE EAST FZE

Date : 14 April 2010

**S. Mohan**  
DIRECTOR

**Sudhir Rehgarrh**  
DIRECTOR

**CASH FLOW STATEMENT**

	Notes	Year ended March 31,			
		2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>Cash generated from operations</b>					
Cash generated from operations	24	9,677,700	3,153,912	11.83	4.36
Interest paid		(1,797,674)	(1,804,063)	(2.20)	(2.49)
<b>Net cash from operating activities (A)</b>		<b>7,880,026</b>	<b>1,349,849</b>	<b>9.63</b>	<b>1.87</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(267,706)	(25,995)	(0.33)	(0.04)
Proceeds on disposals of property, plant and equipment		9,860	–	0.01	–
Investments in wholly owned subsidiaries		(19,084,000)	(53,971)	(23.34)	(0.07)
Long term loans to a subsidiary		(16,102,231)	(10,980,304)	(19.69)	(15.16)
Interest received		959,784	657,813	1.17	0.90
<b>Net cash used in investing activities (B)</b>		<b>(34,484,293)</b>	<b>(10,402,457)</b>	<b>(42.18)</b>	<b>(14.37)</b>
<b>Cash flows from financing activities</b>					
Issue of share capital		21,000,000	–	25.68	–
(Receipts from)/payment of bank overdraft (net)		(4,433,065)	114,973	(5.42)	0.16
Receipts of bank loans (net)		18,000,215	–	22.01	–
Receipt of/(Repayment of) from a parent company		(7,785,752)	8,830,263	(9.52)	12.20
<b>Net cash from financing activities (C)</b>		<b>26,781,398</b>	<b>8,945,236</b>	<b>32.74</b>	<b>12.36</b>
<b>Net increase/ (decrease) in cash and cash equivalents (A+B+C)</b>					
		<b>177,131</b>	<b>(107,372)</b>	<b>0.22</b>	<b>(0.15)</b>
Cash and cash equivalent at beginning of year		67,322	174,694	0.08	0.24
<b>Cash and cash equivalents at end of the year</b>	12	<b>244,453</b>	<b>67,322</b>	<b>0.30</b>	<b>0.09</b>

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

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

For **MARICO MIDDLE EAST FZE**

Date : 14 April 2010

**S. Mohan**  
DIRECTOR

**Sudhir Rehgarh**  
DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 1 LEGAL STATUS AND BUSINESS ACTIVITY

**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.

The establishment trades in personal care, food and health care products and equipments.

The parent company is "Marico Limited", a company registered in India, which is the ultimate parent company.

These are separate financial statements of Marico Middle East FZE. The financial statements of the subsidiary companies are not consolidated in these financial statements as they will be consolidated in the financial statements of the ultimate parent company

### 2 SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Basis of preparation

The financial statements are presented in UAE Dirhams and prepared using historical cost, and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2009, and the laws of the Jebel Ali Free Zone.

#### 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 residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

#### c) Investment in subsidiary

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

#### d) Inventories

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

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 company becomes a party to the contractual provisions of the instrument.

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

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

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

Current and non-current financial liabilities, which comprise current 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the statement of comprehensive income 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 10) or from related parties (refer Note 11) 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 292,729 (previous year AED 189,313), 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:

- Amendment to IAS 1: Presentation of Financial Statements
- Amendment to IAS 16: Property, Plant and Equipment
- Amendment to IAS 23: Borrowing Costs
- Amendment to IAS 32: Financial Instruments: Presentation
- Amendment to IAS 36: Impairment of Assets
- Amendment to IAS 39: Financial Instruments: Recognition and Measurement
- Reclassification of Financial Assets - Amendments to IAS39  
:Financial Instruments: Recognition and Measurement and IFRS7: Financial Instruments:  
Disclosures
- Reclassification of financial Assets – Effective Date and Transition – Amendments to IAS39: financial  
instruments: Recognition and measurement and IFRS7: Financial Instruments : Disclosures
- Improving Disclosures about Financial Instruments - Amendments to IFRS7
- Embedded Derivative - Amendments to IFRIC9 and IAS39

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

- Improvements to IFRS
  - o IAS1: Presentation of Financial Statements (1 January 2010)
  - o IAS7 Statement of Cash Flows (1 January 2010)
  - o IAS17: Leases (1 January 2010)
  - o IAS18: Revenue (1 January 2010)
  - o IAS36: Impairment of Assets (1 January 2010)
  - o IAS39: Financial Instruments: Recognition and Measurement (1 January 2010)

### 7 PROPERTY, PLANT AND EQUIPMENT

	Capital work in Progress	Furniture, fixtures and office equipment	Motor Vehicles	Total
	AED	AED	AED	AED
<b>Cost</b>				
<b>As at 1 April 2008</b>	70,000	65,754	47,545	183,299
Additions	–	25,995	–	25,995
Transfers	(70,000)	70,000	–	–
<b>As at 31 March 2009</b>	<u>–</u>	<u>161,749</u>	<u>47,545</u>	<u>209,294</u>
Additions	200,000	67,706	–	267,706
Disposals	–	(12,500)	–	(12,500)
<b>As at 31 March 2010</b>	<u>200,000</u>	<u>216,955</u>	<u>47,545</u>	<u>464,500</u>
<b>Accumulated depreciation and impairment losses</b>				
As at 1 April 2008	–	8,012	4,140	12,152
Depreciation	–	16,598	4,517	21,115
<b>As at 31 March 2009</b>	<u>–</u>	<u>24,610</u>	<u>8,657</u>	<u>33,267</u>
Depreciation	–	23,183	4,517	27,700
Adjustment on disposal	–	(592)	–	(592)
As at 31 March 2010	<u>–</u>	<u>47,201</u>	<u>13,174</u>	<u>60,375</u>
<b>Net book values</b>				
As at 1 April 2008	<u>70,000</u>	<u>57,742</u>	<u>43,405</u>	<u>171,147</u>
As at 31 March 2009	<u>–</u>	<u>137,139</u>	<u>38,888</u>	<u>176,027</u>
<b>As at 31 March 2010</b>	<u>200,000</u>	<u>169,754</u>	<u>34,371</u>	<u>404,125</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

	Capital work in Progress	Furniture, fixtures and office equipment	Motor Vehicles	Total
	AED	AED	AED	AED
<b>Cost</b>				
<b>As at 1 April 2008</b>	0.08	0.07	0.05	0.20
Additions	–	0.04	–	0.04
Transfers	(0.10)	0.10	–	
<b>As at 31 March 2009</b>	<b>0.00</b>	<b>0.22</b>	<b>0.07</b>	<b>0.29</b>
Additions	0.24	0.08	–	0.33
Disposals	–	(0.02)	–	(0.02)
<b>As at 31 March 2010</b>	<b>0.24</b>	<b>0.27</b>	<b>0.06</b>	<b>0.57</b>
<b>Accumulated depreciation and impairment losses</b>				
As at 1 April 2008	–	0.01	–	0.01
Depreciation	–	0.02	0.01	0.03
<b>As at 31 March 2009</b>	<b>–</b>	<b>0.03</b>	<b>0.01</b>	<b>0.05</b>
Depreciation	–	0.03	0.01	0.03
Adjustment on disposal	–	–	–	–
As at 31 March 2010	–	<b>0.06</b>	<b>0.02</b>	<b>0.07</b>
<b>Net book values</b>				
As at 1 April 2008	0.08	0.06	0.05	0.19
As at 31 March 2009	–	0.19	0.05	0.24
<b>As at 31 March 2010</b>	<b>0.24</b>	<b>0.21</b>	<b>0.04</b>	<b>0.49</b>

Note:

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

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>8 INVESTMENT IN SUBSIDIARIES</b>				
Kaya Middle East FZE *	150,000	150,000	0.18	0.21
MEL Consumer Care Company**	162,016	162,016	0.20	0.22
Egypt American Investment and Industrial Development Company (EAIIDC)***	12,551,836	12,551,836	15.35	17.34
MBL Industries Limited****	53,971	53,971	0.07	0.07
Marico Malaysia SDN. BHD.*****	19,084,000	–	23.34	–
	<b>32,001,823</b>	<b>12,917,823</b>	<b>39.14</b>	<b>17.84</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

\*\*\* 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. During the previous year 68,920 shares of EAIIDC were issued after effecting a scheme of demerger.

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

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

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>9 NON-CURRENT FINANCIAL ASSETS</b>				
Kaya Middle East FZE*	23,824,118	17,195,061	29.13	23.75
MEL Consumer Care Wind	9,484,636	–	11.60	–
MEL Consumer Care Company**	6,578,106	6,578,106	8.04	9.09
Egypt American Investment and Industrial Development Company (EAIIDC)**	7,145,038	7,156,500	8.74	9.88
	<u>47,031,898</u>	<u>30,929,667</u>	<u>57.52</u>	<u>42.72</u>

\* This represents long term floating interest bearing loans with no fixed repayment schedule.

\*\* This represents interest free long term loans with no fixed repayment schedule.

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>10 INVENTORIES</b>				
Goods in transit	–	88,106	–	0.12

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>11 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	21,733,422	18,654,461	26.58	25.76
Advances	2,015,523	1,103,897	2.46	1.52
Prepayments	414,029	231,201	0.51	0.32
Other receivables	576,501	490,577	0.71	0.68
Deposits	374,237	264,264	0.46	0.36
	<u>25,113,712</u>	<u>20,744,400</u>	<u>30.71</u>	<u>28.65</u>

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.

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
Trade receivables not past due and not impaired	<u>21,733,422</u>	<u>18,654,461</u>	<u>26.58</u>	<u>25.76</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 12 RELATED PARTIES

The establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard IAS24. The management considers such transactions to be in the normal course of business and at prices determined by the management.

Related parties comprise the parent company, subsidiaries and directors.

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

	Parent company AED	Subsidiaries AED	Director AED	Total 2010 AED	Total 2009 AED
Investment in subsidiaries	–	32,001,823	–	<b>32,001,823</b>	–
	–	12,917,823	–	–	12,917,823
Disclosed as non-current financial asset (long term loans to wholly owned subsidiaries)	–	47,031,898	–	<b>47,031,898</b>	–
	–	30,929,667	–	–	30,929,667
Included in trade payables	6,434,577	3,422,968	–	<b>9,857,545</b>	–
	9,793,244	272,310	–	–	10,065,554
Included in accruals	–	–	64,447	<b>64,447</b>	–
	–	–	112,321	–	112,321
Included in other payables	–	–	–	–	–
	45,263	–	–	–	45,263
Loan from parent company	2,495,639	–	–	<b>2,495,639</b>	–
	10,281,391	–	–	–	10,281,391
Included in end-of-service gratuity	–	–	36,700	<b>36,700</b>	–
	–	–	34,392	–	34,392

	Parent company Rs. Crore	Subsidiaries Rs. Crore	Director Rs. Crore	Total 2010 Rs. Crore	Total 2009 Rs. Crore
Investment in subsidiaries	–	39.14	–	<b>39.14</b>	–
	–	17.84	–	–	17.84
Disclosed as non-current financial asset (long term loans to wholly owned subsidiaries)	–	57.52	–	<b>57.52</b>	–
	–	42.72	–	–	42.72
Included in trade payables	7.87	4.19	–	<b>12.05</b>	–
	13.53	0.38	–	–	13.90
Included in accruals	–	–	0.08	<b>0.08</b>	–
	–	–	0.16	–	0.16
Included in other payables	–	–	–	–	–
	0.06	–	–	–	0.06
Loan from parent company	3.45	–	–	<b>3.45</b>	–
	14.20	–	–	–	14.20
Included in end-of-service gratuity	–	–	0.04	<b>0.04</b>	–
	–	–	0.04	–	0.04

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in Notes 8, 17 and 25.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

	Parent company AED	Subsidiaries AED	Director AED	Total 2010 AED	Total 2009 AED
Purchases	25,768,359	13,146,337		<b>38,914,696</b>	
	36,152,924	272,310	–		36,425,234
Royalty expenses (included in selling expenses)	2,274,527	–		<b>2,274,527</b>	
	1,913,130	–	–		1,913,130
Salaries and benefits			685,994	<b>685,994</b>	
			842,912		842,912
End-of-service gratuity			18,350	<b>18,350</b>	
			27,290		27,290
Interest expenses	416,181	–		<b>416,181</b>	
	1,153,333	–	–		1,153,333
Bank guarantee charges	410,202	–		<b>410,202</b>	
	456,168	–	–		456,168
Rent charged	–	175,008		<b>175,008</b>	
	–	139,578	–		139,578
Interest income	–	920,271		<b>920,271</b>	
	–	650,693	–		650,693
End of service gratuity transferred to subsidiary	–	31,356	–	<b>31,356</b>	
	–	–	–		–

	Parent company AED	Subsidiaries AED	Director AED	Total 2010 AED	Total 2009 AED
Purchases	31.51	16.08		<b>47.59</b>	
	49.93	0.38	–		50.31
Royalty expenses (included in selling expenses)	2.78	–		<b>2.78</b>	
	2.64	–	–		2.64
Salaries and benefits			0.84	<b>0.84</b>	
			1.16		1.16
End-of-service gratuity			0.02	<b>0.02</b>	
			0.04		0.04
Interest expenses	0.51	–		<b>0.51</b>	
	1.59	–	–		1.59
Bank guarantee charges	0.50	–		<b>0.50</b>	
	0.63	–	–		0.63
Rent charged	–	0.21		<b>0.21</b>	
	–	0.19	–		0.19
Interest income	–	1.13		<b>1.13</b>	
	–	0.90	–		0.90
End of service gratuity transferred to subsidiary	–	0.04	–	<b>0.04</b>	
	–	–	–		–

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

	2010 AED	2009 AED	2010 Rs Crore	2009 Rs Crore
<b>13 CASH AND CASH EQUIVALENTS</b>				
Cash and cheques on hand	73,356	3,970	0.09	0.01
Bank balances in Current account	171,097	63,352	0.21	0.09
	<u>244,453</u>	<u>67,322</u>	<u>0.30</u>	<u>0.09</u>
<b>14 BANK BORROWINGS</b>				
Term loan	36,923,700	18,923,485	45.15	26.14
Overdraft	7,535,650	11,968,715	9.22	16.53
	<u>44,459,350</u>	<u>30,892,200</u>	<u>54.37</u>	<u>42.67</u>
An analysis by bank of amounts outstanding is as follows				
Barclays Bank	36,923,700	18,923,485	45.15	26.14
Standard Chartered Bank	7,535,650	11,968,715	9.22	16.53
	<u>44,459,350</u>	<u>30,892,200</u>	<u>54.37</u>	<u>42.67</u>

Notes

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

	2010 AED	2009 AED	2010 Rs Crore	2009 Rs Crore
<b>15 TRADE AND OTHER PAYABLES</b>				
Trade payables	9,857,245	10,065,554	12.05	13.90
Accruals	14,727,449	5,327,920	18.01	7.36
Other payables	–	45,263	–	0.06
Advance received from customers	–	11,281	–	0.02
	<u>24,584,694</u>	<u>15,450,018</u>	<u>30.06</u>	<u>21.34</u>
<b>16 PROVISION FOR STAFF END-OF-SERVICE GRATUITY</b>				
Opening balance	189,313	96,817	0.23	0.13
Provision for the year	150,798	92,496	0.18	0.13
Transfer to subsidiary company	(31,356)	–	(0.04)	–
Paid during the year	(16,026)	–	(0.02)	–
Closing balance	<u>292,729</u>	<u>189,313</u>	<u>0.36</u>	<u>0.26</u>
<b>17 SHARE CAPITAL</b>				
22 shares of AED 1,000,000 each (previous year 1 share of AED 1,000,000 each)	<u>22,000,000</u>	<u>1,000,000</u>	<u>26.90</u>	<u>1.38</u>

By a resolution of the shareholder dated 28 October 2009, the share capital was increased to AED 22,000,000 by the creation of 22 shares of AED 1,000,000 each, paid up in cash.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**18 LOAN FROM A PARENT COMPANY**

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

**19 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 shareholders with a rate of return on their investment commensurate with the level of risk assumed

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

Funds generated from internal accruals together with funds received from/provided to related parties are retained in the business, net of dividend declared, 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 13.

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>20 STAFF COSTS</b>				
Staff salaries and benefits	4,492,866	3,102,792	5.49	4.29
Staff end-of-service gratuity	150,798	92,496	0.18	0.13
	<u>4,643,664</u>	<u>3,195,288</u>	<u>5.68</u>	<u>4.41</u>
	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>21 DEPRECIATION</b>				
Depreciation	27,700	21,115	0.03	0.03
	<u>27,700</u>	<u>21,115</u>	<u>0.03</u>	<u>0.03</u>
<b>22 OTHER OPERATING EXPENSES</b>				
Operating lease expenses	300,497	262,804	0.37	0.36
Loss on sale of property, plant and equipment	2,048	–	0.00	–
Selling expenses	36,244,661	21,503,500	44.32	29.70
Exchange losses	14,874	210,456	0.02	0.29
Other expenses	6,386,535	5,179,456	7.81	7.15
	<u>42,948,615</u>	<u>27,156,216</u>	<u>52.52</u>	<u>37.51</u>
<b>23 INTEREST INCOME</b>				
On staff advance	39,513	7,120	0.05	0.01
On long term loans to subsidiary	920,271	650,693	1.13	0.90
	<u>959,784</u>	<u>657,813</u>	<u>1.17</u>	<u>0.91</u>
<b>24 FINANCE COSTS</b>				
On bank loans and overdrafts	1,381,493	1,207,528	1.69	1.67
On loan from a parent company	416,181	1,153,333	0.51	1.59
	<u>1,797,674</u>	<u>2,360,861</u>	<u>2.20</u>	<u>3.26</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 25 CASH GENERATED FROM OPERATIONS

Profit for the year	<b>3,853,176</b>	8,115,171	<b>4.71</b>	11.21
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	<b>27,700</b>	21,115	<b>0.03</b>	0.03
Loss on sale of property, plant and equipment	<b>2,048</b>	–	<b>0.00</b>	–
Finance costs	<b>1,797,674</b>	2,360,861	<b>2.20</b>	3.26
Interest income	<b>(959,784)</b>	(657,813)	<b>(1.17)</b>	(0.91)
<b>Operating profit before changes</b>	<b>4,720,814</b>	9,839,334	<b>5.77</b>	13.59
in operating assets and liabilities				
Decrease/(increase) in inventories	<b>88,106</b>	(88,106)	<b>0.11</b>	(0.12)
Increase in trade and other receivables	<b>(4,369,312)</b>	(10,116,916)	<b>(5.34)</b>	(13.97)
Increase in trade and other payables	<b>9,134,676</b>	3,427,104	<b>11.17</b>	4.73
Increase in staff gratuity provision	<b>103,416</b>	92,496	<b>0.13</b>	0.13
	<b>9,677,700</b>	<b>3,153,912</b>	<b>11.83</b>	<b>4.36</b>

### 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	
	2009	2008	2009	2008
Non-current related party receivables	47,031,898	30,929,667	–	–
Trade and other receivables	23,768,214	20,061,377	–	–
Cash and cash equivalents	244,453	67,322	–	–
Bank borrowings	–	–	44,459,350	30,892,200
Trade and other payables	–	–	24,584,694	15,450,018
Loan from parent company	–	–	2,495,639	10281391
	<b>71,044,565</b>	<b>51,058,366</b>	<b>71,539,683</b>	<b>56,623,609</b>

### 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	
	2009	2008	2009	2008
Non-current related party receivables	64.96	33.59	–	–
Trade and other receivables	32.83	21.79	–	–
Cash and cash equivalents	0.34	0.07	–	–
Bank borrowings	–	–	61.40	33.55
Trade and other payables	–	–	33.95	16.78
Loan from parent company	–	–	3.45	11.17
	<b>98.12</b>	<b>55.45</b>	<b>98.80</b>	<b>61.49</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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, exchange, liquidity 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. 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

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

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

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, investments, bank accounts, trade and other receivables.

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

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

At the reporting date 89% of trade receivables were due from five customers (previous year 98% due from five customers)

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

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
Other Middle East Countries	<u>15,922,505</u>	<u>12,072,711</u>	<u>19.47</u>	<u>16.67</u>

### Interest rate risk

Loan from a parent company are subject to fixed interest rates at levels generally obtained in UAE and are therefore exposed to fair value interest rate risk, Long term loans to subsidiary companies (except for Egyptian American Investment and Industrial Development Company (EAIIDC) and MEL Consumer Care Company, which are interest free) and bank borrowings are subject to floating interest rates at levels generally obtained in the UAE or are linked to LIBOR and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rates had been 1 % higher or lower interest expense on variable rate debt would have been AED 442,356 (previous year AED 119,687) higher or lower and interest income on variable rate loans and advances would have been AED 333,088 (previous year AED 171,951) higher or lower resulting in equity being higher or lower by AED 109,268 (previous year AED 52,264)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

### Exchange rate 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

### 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 loan to a wholly subsidiary which due to its terms and nature, would have fair value below its carrying value

### 27 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

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
Not later than one year	208,691	-	0.26	-
Between one and five years	834,765	-	1.02	-
	<u>1,043,456</u>	<u>-</u>	<u>1.28</u>	<u>-</u>

### 28 OTHER CONTRACTED COMMITMENTS

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
For acquisition, construction or enhancement of property, plant and equipment	<u>450,000</u>	<u>-</u>	<u>0.55</u>	<u>-</u>

For MARICO MIDDLE EAST FZE

S. MOHAN

Director

SUDHIR REHGARH

Director

Date : 14 April 2010

# KAYA MIDDLE EAST FZE

**Board of Directors**

Harsh Mariwala

Milind Sarwate

Ajay Pahwa

Samir Srivastav

S. Mohan

**Secretary, Manager/Negotiator**

S. Mohan

**Registered Office**

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

**Auditors**

M/s. Pannell Kerr Forster  
Chartered Accountants

**Bankers**

Standard Chartered Bank

**Legal Advisors**

M/s. Pannell Kerr Forster  
Chartered Accountants

## INDEPENDENT AUDITORS' REPORT

TO

THE SHAREHOLDER OF KAYA MIDDLE EAST FZE

Report on the Financial Statements

We have audited the accompanying financial statements of KAYA MIDDLE EAST FZE, which comprise the statement of financial position as at 31 March 2010, 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 notes set out on pages 94 to 111.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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 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 Judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Pre-operative expenses incurred in the earlier years on setting up clinics were capitalized and included under property, plant and equipment. As referred to in note 3 (b), the carrying amount of such expenses as at 31 March 2010 amounted to AED Nil (as at 31 March 2009 - AED 822,457). An amount of AED 822,457 has been written off during the year, International Accounting Standards: 38 requires such pre-operative expenses to be expensed out when incurred. Consequently, loss for the year is overstated by AED 822,457.

### OPINION

Except that the loss for the year is overstated by AED 822,457, in our opinion, the financial statements give a true and fair view of the financial position of KAYA MIDDLE EAST FZE as of 31 March 2010, 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 further qualifying our opinion, we draw attention to Note 3 (a) to the financial statements, which states that as at 31 March 2010, the establishment has accumulated losses of AED 4,945,649 and deficit in equity funds of AED 4,795,649, However, the ultimate parent company has agreed to continue with the operation of the establishment and the ultimate parent company is taking appropriate measures to ensure profitable operations of the establishment. Also, the ultimate parent company has agreed to provide continuing financial support to the establishment to enable it to discharge its liabilities as and when they fall due for payment. Accordingly, these financial statements have been prepared on a going concern basis.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

**PANNELL KERR FORSTER**

**Auditor**

Sharjah, United Arab Emirates

21 April 2010

# KAYA MIDDLE EAST FZE

## BALANCE SHEET

	Notes	As At 31 March, 2010			
		2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	7	10,504,855	10,220,596	12.85	14.12
Capital advance	8	990,081	–	1.21	–
		<u>11,494,936</u>	<u>10,220,596</u>	<u>14.06</u>	<u>14.12</u>
<b>CURRENT ASSETS</b>					
Inventories	9	2,394,969	1,590,742	2.93	2.20
Trade and other receivables	10	6,673,510	5,246,638	8.15	7.25
Cash and cash equivalents	11	1,341,886	1,305,010	1.64	1.80
		<u>10,410,365</u>	<u>8,142,390</u>	<u>12.72</u>	<u>11.25</u>
<b>TOTAL ASSETS</b>		<b><u>21,905,301</u></b>	<b><u>18,362,986</u></b>	<b><u>26.78</u></b>	<b><u>25.37</u></b>
<b>CURRENT LIABILITIES</b>					
Book overdraft		–	209,468	–	0.29
Trade and other payables	12	990,358	2,666,307	1.21	3.68
Amounts due to a related party	13	656,108	1,108,860	0.80	1.53
		<u>1,646,466</u>	<u>3,984,635</u>	<u>2.01</u>	<u>5.50</u>
<b>NON-CURRENT LIABILITIES</b>					
Provision for staff end-of-service gratuity	14	1,230,366	798,952	1.50	1.10
<b>SHAREHOLDER'S FUNDS</b>					
Share capital	15	150,000	150,000	0.18	0.21
Accumulated losses		(4,945,649)	(3,765,662)	(6.05)	(5.19)
Deficit in equity		(4,795,649)	(3,615,662)	(5.86)	(4.98)
Loan from a shareholder	16	23,824,118	17,195,061	29.13	23.75
		<u>19,028,469</u>	<u>13,579,399</u>	<u>23.27</u>	<u>18.77</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>21,905,301</u></b>	<b><u>18,362,986</u></b>	<b><u>26.78</u></b>	<b><u>25.37</u></b>

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

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

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

Authorised for issue by the directors on 18 April 2010

**For KAYA MIDDLE EAST FZE**

**S. Mohan**  
Director

**Samir Srivastav**  
Director

Date: 18 April 2010

Note: The exchange rate used to convert AED to Rs. 12.229 / AED (Rs. 13.811 / AED)

# KAYA MIDDLE EAST FZE

## INCOME STATEMENT

	Notes	Year ended 31 <sup>st</sup> March 2010			
		2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>REVENUE</b>		<b>45,726,871</b>	<b>32,758,250</b>	<b>55.92</b>	<b>45.24</b>
Direct costs	18	(27,902,031)	(19,851,484)	(34.12)	(27.42)
<b>GROSS PROFIT</b>		<b>17,824,840</b>	<b>12,906,766</b>	<b>21.80</b>	<b>17.82</b>
Other operating income		328,287	183,688	0.40	0.25
Selling and marketing expenses		(5,439,093)	(2,717,832)	(6.65)	(3.75)
Administrative and general expenses	19	(13,283,385)	(11,843,079)	(16.24)	(16.36)
<b>LOSS FROM OPERATING ACTIVITIES</b>		<b>(569,351)</b>	<b>(1,470,457)</b>	<b>(0.69)</b>	<b>(2.04)</b>
Finance costs		(610,636)	(650,693)	(0.75)	(0.90)
<b>LOSS FOR THE YEAR</b>		<b>(1,179,987)</b>	<b>(2,121,150)</b>	<b>(1.44)</b>	<b>(2.94)</b>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(1,179,987)</b>	<b>(2,121,150)</b>	<b>(1.44)</b>	<b>(2.94)</b>

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**

**S. Mohan**  
Director

**Samir Srivastav**  
Director

Date: 18 April 2010

Note: The exchange rate used to convert AED to Rs. 12.229 / AED (Rs. 13.811 / AED)



**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 31.3.2008	150,000	(1,644,512)	<b>(1,494,512)</b>	0.16	(1.79)	<b>(1.62)</b>
Total comprehensive income for the year	–	(2,121,150)	<b>(2,121,150)</b>	–	(2.93)	<b>(2.93)</b>
As at 31.03.2009	150,000	(3,765,662)	<b>(3,615,662)</b>	0.21	(5.20)	<b>(4.99)</b>
Total comprehensive income for the year	–	(1,179,987)	<b>(1,179,987)</b>	–	(1.44)	<b>(1.44)</b>
<b>As at 31.03.2010</b>	<b>150,000</b>	<b>(4,945,649)</b>	<b>(4,795,649)</b>	<b>0.18</b>	<b>(6.05)</b>	<b>(5.86)</b>

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**

**S. Mohan**  
Director

**Samir Srivastav**  
Director

Date: 18 April 2010

**CASH FLOW STATEMENT**

	Notes	Year ended 31 <sup>st</sup> March 2010			
		2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>Cash generated from operating activities</b>					
Cash generated from operations	21	159,222	663,957	0.20	0.92
Finance costs		(610,636)	(650,693)	(0.75)	(0.90)
<b>Net cash from (used in)/generated from operating activities</b>		<b>(451,414)</b>	<b>13,264</b>	<b>(0.55)</b>	<b>0.02</b>
<b>Cash flows from investing activities</b>					
Proceeds on disposal of property, plant and equipment		16,750	–	0.02	–
Purchase of property, plant and equipment		(4,505,216)	(3,653,042)	(5.51)	(5.05)
Advance for purchase of property, plant and equipment		(990,081)	–	–	–
<b>Net cash used in investing activities</b>		<b>(5,478,547)</b>	<b>(3,653,042)</b>	<b>(6.70)</b>	<b>(5.05)</b>
<b>Cash flows from financing activities</b>					
(Decrease)/increase in amounts due to related parties		(452,752)	279,990	(0.55)	0.39
Receipt of loan from shareholder		6,629,057	3,830,919	8.11	5.29
<b>Net cash from financing activities</b>		<b>6,176,305</b>	<b>4,110,909</b>	<b>7.55</b>	<b>5.68</b>
<b>Net increase in cash and cash equivalents</b>		<b>246,344</b>	<b>471,131</b>	<b>0.30</b>	<b>0.65</b>
Cash and cash equivalents at beginning of year		1,095,542	624,411	1.34	0.86
<b>Cash and cash equivalents at end of year</b>	22	<b>1,341,886</b>	<b>1,095,542</b>	<b>1.64</b>	<b>1.51</b>

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**

**S. Mohan**  
Director

**Samir Srivastav**  
Director

Date: 18 April 2010

Note: The exchange rate used to convert AED to Rs. 12.229 / AED (Rs. 13.811 / AED)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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 and when the net assets of the establishment fall below 75% of its share capital, in accordance with Implementation procedures issued by the Hamriya Free Zone Authority pursuant to Emirates Decree NO.6 of 1995 of HH Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah, the directors rectify the situation by way of introduction of funds.

### 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 under the historical cost, and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2009, and the requirements of the Implementing Rules and Regulations issued by the Hamriya Free Zone Authority.

As at 31 March 2010, the establishment has accumulated losses of AED 4,945,649 and deficit in equity funds of AED 4,795,649. However, the ultimate parent company has agreed to continue with the operation of the establishment and the ultimate parent company is taking appropriate measures to ensure profitable operations of the establishment. Also, the ultimate parent company has agreed to provide continuing financial support to the company to enable it to discharge its liabilities as and when they fall due for payment. Accordingly, these financial statements have been prepared on a going concern basis.

#### b) Property, plant and equipment

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

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

Upto the year ended 31 March 2008, the establishment followed a policy of capitalising the pre-operative expenses and depreciating the amount over the estimated useful lives of the respective assets under which it is capitalised. The preoperative expenses originally incurred amounted to AED 1,942,521.

However, during the previous year, the establishment has decided to write off these expenses within two years. Accordingly, the opening carrying amount of AED 822,457 is written off in the current year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

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

c) **Inventories**

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

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

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

e) **Revenue**

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

f) **Leases**

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

g) **Foreign currency transactions**

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

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

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

h) **Cash and cash equivalents**

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

i) **Financial instruments**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

### 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 date of the statement of financial position 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 2,394,969 (previous year AED 1,590,742) in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

#### *Doubtful debt provisions*

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

#### *Impairment*

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

#### *Staff end-of-service gratuity*

The establishment computes the provision for the liability to staff end-of-service gratuity stated at AED 1,230,366 (previous year AED 798,952), 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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:

- \* Amendment to IAS 1: Presentation of Financial Statements
- \* Amendment to IAS 16: Property, Plant and Equipment
- \* Amendment to IAS 23: Borrowing Costs
- \* Amendment to IAS 32: Financial Instruments: Presentation
- \* Amendment to IAS 36: Impairment of Assets
- \* Amendment to IAS 38: Intangible Assets
- \* Amendment to IAS 39: Financial Instruments: Recognition and Measurement
- \* Reclassification of Financial Assets - Amendments to IAS39: Financial Instruments Recognition and Measurement and IFRS7: Financial Instruments: Disclosures
- \* Reclassification of Financial Assets - Effective Date and Transition - Amendments to IAS39: Financial Instruments: Disclosures Recognition and Measurement and IFRS7: Financial Instruments: Disclosures
- \* Improving Disclosures about Financial Instruments - Amendments to IFRS7

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

- \* Improvements to IFRS
  - o IAS1: Presentation of Financial Statements (1 January 2010)
  - o IAS 7: Statement of cash Flows (1 January 2010)
  - o IAS17: Leases (1 January 2010)
  - o IAS18: Revenue (1 January 2010)
  - o IAS36: Impairment of Assets (1 January 2010)
  - o IAS39: Financial Instruments: Recognition and Measurement (1 January 2010)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**7 PROPERTY, PLANT AND EQUIPMENT**

	Capital work in progress	Clinic interior decoration	Machinery and clinic equipments	Office furniture fixtures equipments	Motor vehicle	Total
	AED	AED	AED	AED	AED	AED
<b>Cost</b>						
<b>As at 1 April 2008</b>	<b>2,005,006</b>	<b>4,230,373</b>	<b>5,576,242</b>	<b>33,059</b>	<b>47,045</b>	<b>11,891,725</b>
Additions	2,591,783	10,216	972,893	26,150	52,000	3,653,042
Transfers	(1,981,734)	697,233	1,284,501	–	–	–
Write offs (refer note below)	–	–	(1,038,638)	–	–	(1,038,638)
<b>As at on 31.03.2009</b>	<b>2,615,055</b>	<b>4,937,822</b>	<b>6,794,998</b>	<b>59,209</b>	<b>99,045</b>	<b>14,506,129</b>
Additions	914,228	1,059,400	2,366,911	60,677	104,000	4,505,216
Transfers	(2,585,465)	1,933,760	543,621	108,084	–	–
Adjustment on disposals	–	–	–	–	(47,045)	(47,045)
Write offs (refer note below)	–	–	(903,883)	–	–	(903,883)
<b>As at on 31.03.2010</b>	<b>943,818</b>	<b>7,930,982</b>	<b>8,801,647</b>	<b>227,970</b>	<b>156,000</b>	<b>18,060,417</b>
<b>Accumulated depreciation and impairment losses</b>						
As at 1 April 2008	–	838,472	860,507	6,090	7,841	1,712,910
Depreciation	–	1,173,271	1,370,635	15,692	13,025	2,572,623
<b>As at 31 March 2009</b>	<b>–</b>	<b>2,011,743</b>	<b>2,231,142</b>	<b>21,782</b>	<b>20,866</b>	<b>4,285,533</b>
Depreciation	–	1,649,945	1,508,329	49,456	27,004	3,234,734
Adjustment on disposal	–	–	–	–	(25,874)	(25,874)
Impairment losses	–	142,595	–	–	–	142,595
Adjustment relating write off	–	–	(81,426)	–	–	(81,426)
<b>As at 31.03.2010</b>	<b>–</b>	<b>3,804,283</b>	<b>3,658,045</b>	<b>71,238</b>	<b>21,996</b>	<b>7,555,562</b>
<b>Net book values</b>						
As at 1 April 2008	2,005,006	3,391,901	4,715,735	26,969	39,204	10,178,815
As at 31 March 2009	2,615,055	2,926,079	4,563,856	37,427	78,179	10,220,596
<b>As at 31 March 2010</b>	<b>943,818</b>	<b>4,126,699</b>	<b>5,143,402</b>	<b>156,732</b>	<b>134,004</b>	<b>10,504,655</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**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						
<b>As at 1 April 2008</b>	<b>2.18</b>	<b>4.59</b>	<b>6.06</b>	<b>0.04</b>	<b>0.05</b>	<b>12.91</b>
Additions	2.81	0.01	1.06	0.03	0.06	3.97
Transfers	(2.81)	2.10	0.59	0.12	–	–
Write offs (refer note below)	–	–	(1.13)	–	–	(1.13)
<b>As at on 31.03.2009</b>	<b>3.61</b>	<b>6.82</b>	<b>9.38</b>	<b>0.08</b>	<b>0.14</b>	<b>20.03</b>
Additions	1.12	1.30	2.89	0.07	0.13	5.51
Transfers	(3.16)	2.36	0.66	0.13	–	–
Adjustment on disposals	–	–	–	–	(0.06)	(0.06)
Write offs (refer note below)	–	–	(1.11)	–	–	(1.11)
<b>As at on 31.03.2010</b>	<b>1.15</b>	<b>9.70</b>	<b>10.76</b>	<b>0.28</b>	<b>0.19</b>	<b>22.09</b>
<b>Accumulated depreciation and impairment losses</b>						
As at 1 April 2008	–	0.91	0.93	0.01	0.01	1.86
Depreciation	–	1.62	1.89	0.02	0.02	3.55
As at 31 March 2009	–	2.78	3.08	0.03	0.03	5.92
Depreciation	–	2.02	1.84	0.06	0.03	3.96
Adjustment on disposal	–	–	–	–	(0.03)	(0.03)
Impairment losses	–	0.17	–	–	–	0.17
Adjustment relating write off	–	–	(0.10)	–	–	(0.10)
<b>As at 31.03.2010</b>	<b>–</b>	<b>4.65</b>	<b>4.47</b>	<b>0.09</b>	<b>0.03</b>	<b>9.24</b>
Net book values						
As at 1 April 2008	2.18	3.68	5.12	0.03	0.04	11.05
As at 31 March 2009	3.61	4.04	6.30	0.05	0.11	14.12
<b>As at 31 March 2010</b>	<b>1.15</b>	<b>5.05</b>	<b>6.29</b>	<b>0.19</b>	<b>0.16</b>	<b>12.85</b>

**Notes**

Capital work-in-progress relates to interior decoration of clinics amounting to AED 550,000 and machinery and clinic equipment amounting to AED 393,818.

Pre-operative expenses incurred in the previous year on setting up of clinics were capitalised and included in machinery and clinic equipment. Carrying value of such expenses as at 31.3.2009 was AED 822,457 and was included in machinery and clinic equipment. The same has been written off during the year.

During the year the management of the company has recognised an impairment loss on assets belonging to Kaya Life.

The cost of the assets impaired is AED 602,800 and a depreciation of AED 44,069 had been charged during the current year. The carrying value of the assets impaired is AED 142,595.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**8 CAPITAL ADVANCES**

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

AED 735,750 and machinery and clinic equipment amounting to AED 254,331.

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
<b>9 INVENTORIES</b>				
Consumable and spares	2,394,969	1,590,742	2.93	2.20
<b>10 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	223,567	325,388	0.27	0.45
Advances	2,506,808	2,256,539	3.07	3.12
Prepayments	2,834,337	2,207,402	3.47	3.05
Deposits	1,108,798	457,309	1.36	0.63
	<b>6,673,510</b>	<b>5,246,638</b>	<b>8.16</b>	<b>7.25</b>

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

0 months to 3 months	7,275	–
Over 3 months	<b>2525</b>	–

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	<b>213,767</b>	325,388
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**11 CASH AND CASH EQUIVALENTS**

Cash on hand	652,181	813,992	0.80	1.12
Bank balances in current account	689,705	491,018	0.84	0.68
	<b>1,341,886</b>	<b>1,305,010</b>	<b>1.64</b>	<b>1.80</b>

**12 TRADE AND OTHER PAYABLES**

Trade payables	626,476	1,964,332	0.77	2.71
Creditors of capital goods	–	398,035	–	0.55
Accruals	363,882	303,940	0.44	0.42
	<b>990,358</b>	<b>2,666,307</b>	<b>1.21</b>	<b>3.68</b>

**13 RELATED PARTIES**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

	Parent company	Ultimate Parent company	Companies under comman ownership/ management control	Directors	Total 2010	Total 2009
	AED	AED	AED	AED	AED	AED
Included in Trade and other receivables	–	–	–	204,586	204,586	–
	–	–	–	100,829	–	100,829
Disclosed as due to a related party	–	2,540	653,568	–	656,108	–
	–	785,024	323,836	–	–	1,108,860
Loan from shareholder	23,824,118	–	–	–	23,824,118	–
	17,195,061	–	–	–	–	17,195,061
	Parent company	Ultimate Parent company	Companies under comman ownership/ management control	Directors	Total 2010	Total 2009
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Included in Trade and other receivables	–	–	–	0.25	0.25	–
	–	–	–	0.14	–	0.14
Disclosed as due to a related party	–	–	0.80	–	0.80	–
	–	1.08	0.45	–	–	1.53
Loan from shareholder	29.13	–	–	–	29.13	–
	23.75	–	–	–	–	23.75

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

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

	Parent company	Ultimate Parent company	Companies under comman ownership/ management control	Directors	Total 2010	Total 2009
	AED	AED	AED	AED	AED	AED
Purchases	–	–	156,657	–	156,657	–
	–	–	50,690	–	–	50,690
Directors salaries & benefits	–	–	–	1,346,107	1,346,107	–
	–	–	–	1,375,677	–	1,375,677
End of service gratuity	–	–	–	34,908	34,908	–
	–	–	–	43,989	–	43,989
Finance costs	610,636	–	–	–	610,636	–
	650,693	–	–	–	–	650,693
Recharge of expenses	–	2,540	252,784	–	255,324	–
	–	–	–	–	–	–
Operating lease expenses	175,008	–	–	–	175,008	–
	180,000	–	–	–	–	180,000
Staff end of service gratuity transferred from parent company	31,356	–	–	–	31,356	–
	–	–	–	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

	Parent company	Ultimate Parent company	Companies under common ownership/management control	Directors	Total 2010	Total 2009
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Purchases	-	-	0.19	-	0.19	-
	-	-	0.07	-	-	0.07
Directors salaries & benefits	-	-	-	1.65	1.65	-
	-	-	-	1.90	-	1.90
End of service gratuity	-	-	-	0.04	0.04	-
	-	-	-	0.06	-	0.06
Finance costs	0.75	-	-	-	0.75	-
	0.90	-	-	-	-	0.90
Recharge of expenses	-	-	0.31	-	0.31	-
	-	-	-	-	-	-
Operating lease expenses	0.21	-	-	-	0.21	-
	0.25	-	-	-	-	0.25
Staff end of service gratuity transferred from parent company	0.04	-	-	-	0.04	-
	-	-	-	-	-	-

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

	2009 AED	2008 AED	2009 Rs. Crore	2008 Rs. Crore
<b>14 PROVISION FOR STAFF END-OF-SERVICE GRATUITY</b>				
Opening balance	798,952	364,191	0.98	0.50
Provision for the year	467,711	472,201	0.57	0.65
Transferred from parent company	31,356	-	0.04	-
Paid during the year	(67,653)	(37,440)	(0.08)	(0.05)
Closing balance	<b>1,230,366</b>	<b>798,952</b>	<b>1.50</b>	<b>1.10</b>
<b>15 SHARE CAPITAL</b>				
<b>Issued and paid up:</b>				
1 share of AED 150,000	150,000	150,000	0.18	0.21

### 16 LOAN FROM SHAREHOLDER

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**17 MANAGEMENT OF CAPITAL**

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

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

Funds generated from internal accruals together with funds received from/provided to related parties are retained in the business, net of dividend declared, to limit bank borrowings within covenants and according to the business requirements and maintain capital at desired levels.

**DIRECT COSTS**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>AED</b>	<b>AED</b>	<b>Rs. Crore</b>	<b>Rs. Crore</b>
Consumables and stores consumed	6,521,003	4,139,412	7.97	5.72
Salaries and benefits	13,988,807	10,522,289	17.11	14.53
End-of service gratuity	397,481	397,365	0.49	0.55
Operating lease expenses	3,836,466	2,248,511	4.69	3.11
Depreciation (Note 20)	3,158,274	2543907	3.86	3.51
	<b>27,902,031</b>	<b>19,851,484</b>	<b>34.12</b>	<b>27.42</b>

**ADMINISTRATIVE EXPENSES**

Directors salaries and benefits	1,346,107	1,375,677	1.65	1.90
End of service gratuity	34,908	43,989	0.04	0.06
Staff salaries and benefits	2,317,360	3,175,773	2.83	4.39
Staff end-of-service gratuity	35,322	30,846	0.04	0.04
Operating lease expenses	175,008	180,000	0.21	0.25
Travelling expenses	2,869,418	2,881,306	3.51	3.98
Other administration and general expenses	5,459,329	3,088,134	6.68	4.27
Loss on sale of property, plant and equipment (net)	4,421	-	0.01	-
Depreciation on administrative assets (Note 20)	76,460	28,716	0.09	0.04
Preoperative expenses under property, plant and equipment written off	822,457	1,038,638	1.01	1.43
Impairment of property, land and equipment (Note 7)	142,595	-	0.17	-
	<b>13,283,385</b>	<b>11,843,079</b>	<b>16.24</b>	<b>16.36</b>

**DEPRECIATION**

Allocated to direct costs (Note 18)	3,158,274	2,543,907	3.86	3.51
Allocated to administrative expenses (Note 19)	76,460	28716	0.09	0.04
	<b>3,234,734</b>	<b>2,572,623</b>	<b>3.96</b>	<b>3.55</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 18 CASH GENERATED FROM OPERATIONS

	2010 AED	2009 AED	2010 Rs. Crore	2009 Rs. Crore
Loss for the year	(1,179,987)	(2,121,150)	(1.44)	(2.93)
Adjustments for:				
Depreciation of property, plant and equipment	3,234,734	2,572,623	3.96	3.55
Write off of property, plant and equipment	822,457	1,038,638	1.01	1.43
Loss on sale of property, plant and equipment (net)	4,421	–	0.01	–
Impairment of property, plant and equipments	142,595	–	0.17	–
Finance costs	610,636	650,693	0.75	0.90
<b>Operating profit before changes in operating assets and liabilities</b>	<b>3,634,856</b>	<b>2,140,804</b>	<b>4.45</b>	<b>2.96</b>
Increase in inventories	(804,227)	(322,274)	(0.98)	(0.45)
Increase in trade and other receivables	(1,426,872)	(2,541,251)	(1.74)	(3.51)
(Decrease)/increase in trade and other payables	(1,675,949)	951,917	(2.05)	1.31
Increase in staff gratuity provision	431,414	434,761	0.53	0.60
	<b>159,222</b>	<b>663,957</b>	<b>0.19</b>	<b>0.92</b>

### 19 RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as disclosed in the statement of financial position	1,341,886	1,305,010	1.64	1.80
Less: Book overdraft	–	(209,468)	–	(0.29)
Cash and cash equivalents as disclosed in the cash flow statements	<b>1,341,886</b>	<b>1,095,542</b>	<b>1.64</b>	<b>1.51</b>

### 20 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	
	2010 AED	2009 AED	2010 AED	2009 AED
Trade and other receivables	2,440,054	1,626,845	–	–
Cash and cash equivalents	1,341,886	1,305,010	–	–
Book overdraft	–	–	–	209,468
Trade and other payable	–	–	899,089	2,575,038
Amounts due to related parties	–	–	656,108	1,108,860
Loan from shareholder	–	–	23,824,118	17,195,061
	<b>3,781,940</b>	<b>2,931,855</b>	<b>25,379,315</b>	<b>21,088,427</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

	Loans and receivables		At amortised cost	
	2010	2009	2010	2009
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Trade and other receivables	2.98	2.25	–	–
Cash and cash equivalents	1.64	1.80	–	–
Book overdraft	–	–	–	0.29
Trade and other payable	–	–	1.10	3.56
Amounts due to related parties	–	–	0.80	1.53
Loan from shareholder	–	–	29.13	23.75
	<b>4.62</b>	<b>4.05</b>	<b>31.04</b>	<b>29.13</b>

### 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.

### Exchange rate 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, except the following

	Omani riyal		Saudi Riyal		Indian Rupees	
	2010	2009	2010	2009	2010	2009
	AED	AED	AED	AED	AED	AED
Bank balance	192,793	228,994	266,097	50,487	–	–
Cash at clinics	17,273	30,483	25,194	21,456	–	–
Trade and other receivables	19,859	60,300	123,200	40,037	–	–
Amount due to a related party	–	–	–	–	656,108	1,108,861
	<b>229,925</b>	<b>319,787</b>	<b>414,491</b>	<b>111,980</b>	<b>656,108</b>	<b>1,108,861</b>

  

	Omani riyal		Saudi Riyal		Indian Rupees	
	2010	2009	2010	2009	2010	2009
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Bank balance	0.24	0.32	0.33	0.07	–	–
Cash at clinics	0.02	0.04	0.03	0.03	–	–
Trade and other receivables	0.02	0.08	0.15	0.06	–	–
Amount due to a related party	–	–	–	–	0.80	1.53
	<b>0.28</b>	<b>0.44</b>	<b>0.51</b>	<b>0.15</b>	<b>0.80</b>	<b>1.53</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**21 OPERATING LEASE COMMITMENTS**

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

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>AED</b>	<b>AED</b>	<b>Rs. Crore</b>	<b>Rs. Crore</b>
Not later than one year	4,818,300	5,893,136	5.89	8.14
Between one and five years	13,160,845	19,340,227	16.09	26.71
Later than five years	72,500	–	0.09	–
	<b><u>18,051,645</u></b>	<b><u>25,233,363</u></b>	<b><u>22.08</u></b>	<b><u>34.85</u></b>

For KAYA MIDDLE EAST FZE

**S. Mohan**  
Director

**Samir Srivastav**  
Director

Date: 18 April 2010

# MEL CONSUMER CARE SAE

**Board of Directors**

Debashish Neogi

Milind Sarwate

Vijay Subramaniam

Aditya Shome

Marico Middle East represented by Vijay Subramaniam

**Registered Office**

5<sup>th</sup> Floor, 53, Lebanon Street, Mohandseen, Giza, Egypt

**Auditors**

Baker & Tilly

**Bankers**

HSBC Limited

**Legal Advisors**

Yasser Maharem Office for Accounting and Auditing



## AUDITORS' REPORT

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

### Report on the financial statements

We have audited the accompanying unconsolidated Financial statements of MEL Consumer Care company SAE, which comprise the unconsolidated balance sheet as at March 31, 2010 and the unconsolidated statements of income statement, statement of cash flows and statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes. The financial statements of previous year were audited by another auditor.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment Of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design Audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the Appropriateness of accounting policies used and the reasonableness of accounting estimates 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 MEL Consumer Care Company SAE as of March 31, 2010 and of its unconsolidated financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the relevant laws and regulations relating to the preparation of these Unconsolidated financial statements.

### Emphasis of matter

Without qualifying our opinion, the retained losses reaches amount EGP 8509452 on 31/03/2010 including this year losses which exceed the issued and paid capital, that required extra- ordinary general assembly according to article No.(69) of law No.159 for year 1981 to take decision about continuity of the company or not, putting in consideration that the company's current liabilities exceeded its current assets by EGP11239346, at that date, in addition, the company has temporarily frozen its business operations through out the financial year ended 31 March 2010,until deciding on specific activities which will be undertaken in the future.

The shareholders are supporting the continuity of the company by guaranteeing the repayment of the loan / advance and their commitment to convert the amount owed to them into equity should the company be unable to settle it. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Base on the foregoing, management has prepared these financial statements using the going concern assumption and as such the financial statements did not include any adjustments to the carrying amount of the assets and liabilities that may arise because of this uncertainty.The financial statements have been prepared on going concern basis and did not include any adjustment that might have been determined to be necessary if the company does not continue as a going concern.We got a balance confirmation from the related parties which reached on 31st March 2010 EGP 24249384 that include companies which MEL invested in, and the investment percentage is 99% of their capital, which mean that they are controlled by MELCC.The amount due to related parties as at March 31st 2010 is EGP 35035094 which due to subsidiary and parent companies and we also get confirmation with these balances.

### Report on Other Legal and Regulatory Requirements

The company keeps proper accounting records, include all that is required by law to be recorded there in and the accompanying financial statements are agreement there with. the company applies a sufficient costing system. Inventory count and valuation was made by the company's management and under their responsibility.

The financial information included in the board of director's 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, 15/04/2010

Sherin Nouredin  
R.A.A 6809  
BAKER TILLY

BAKER TILLY  
Wahid Abdel Ghaffar & Co.  
Public Accountants & consultants

**BALANCE SHEET**

		As at March 31,			
		2010	2009	2010	2009
	Note No.	EGP	EGP	Rs. Crore	Rs. Crore
<b>Assets</b>					
<b>Long-Term Assets</b>					
Fixed assets (net)	(5)	67,846	1,235,895	0.06	1.11
Long-Term Investments	(6)	3,116,358	3,116,358	2.54	2.81
<b>Total Long-Term Assets</b>		<b>3,184,204</b>	<b>4,352,253</b>	<b>2.60</b>	<b>3.92</b>
<b>Current Assets</b>					
Client and notes receivables (net)	(7)	–	46,693	–	0.04
Due from related parties	(8)	24,249,384	27,197,042	19.79	24.52
Debtors and other debit balances (net)	(9)	7,009	232,324	0.01	0.21
Cash and Cash equivalents	(10)	31,429	114,814	0.03	0.10
<b>Total Current Assets</b>		<b>24,287,822</b>	<b>27,590,873</b>	<b>19.83</b>	<b>24.87</b>
<b>Current Liabilities</b>					
Provisions	(11)	477,074	180,689	0.39	0.16
Banks – overdraft & credit facilities	(12)	–	19,863,787	–	17.91
suppliers and notes payables	(13)	–	24,824	–	0.02
Due to related parties	(14)	35,035,094	17,856,986	28.59	16.10
Creditors and other credit balances	(15)	15,000	1,293,320	0.01	1.17
<b>Total Current Liabilities</b>		<b>35,527,168</b>	<b>39,219,606</b>	<b>28.99</b>	<b>35.36</b>
<b>Working capital</b>		<b>(11,239,346)</b>	<b>(11,628,733)</b>	<b>(9.17)</b>	<b>(10.49)</b>
<b>Total investments</b>		<b>(8,055,142)</b>	<b>(7,276,480)</b>	<b>(6.57)</b>	<b>(6.57)</b>
<b>To be financed as follows :</b>					
<b>Shareholders' Equity</b>					
Issued and paid capital	(16)	250,000	250,000	0.20	0.23
Legal Reserve		204,310	204,310	0.17	0.18
Retained (losses) profits		(7,754,586)	1,838,794	(6.33)	1.65
(Loss) of the year		(754,866)	(9,593,380)	(0.62)	(8.65)
<b>Total Shareholders' Equity</b>		<b>(8,055,142)</b>	<b>(7,300,276)</b>	<b>(6.57)</b>	<b>(6.59)</b>
<b>Long Term Liabilities</b>					
Deferred tax liability		–	23,796	–	0.02
<b>Total Long Term Liabilities</b>		<b>–</b>	<b>23,796</b>	<b>–</b>	<b>0.02</b>
<b>Total Financing Working Capital &amp; Long Term Assets</b>		<b>(8,055,142)</b>	<b>(7,276,480)</b>	<b>(6.57)</b>	<b>(6.57)</b>

The accompanying notes from (1) to (18) form an integral part of these financial statements and are to be read therewith.

Auditor's report "attached"

**Debashish Neogi**

Chairman

**Aditya Shome**

Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.16/ EGP (Rs. 9.015/ EGP)

## INCOME STATEMENT

Unconsolidated income statement For the financial year ended March 31, 2010

	Note No.	For the period from			
		From 31/3/2010 EGP	From 31/3/2009 EGP	From 31/3/2010 Rs. Crore	From 31/3/2009 Rs. Crore
<b>Revenues :</b>					
Net Sales		–	(257,741)	–	(0.23)
<b>Less:</b>					
Cost of sales		–	–	–	–
<b>Gross (Loss) / Profit</b>		<b>–</b>	<b>(257,741)</b>	<b>–</b>	<b>(0.23)</b>
<b>Add/Less:</b>					
Selling and distribution expenses		–	96,129	–	0.09
General and administrative expenses		729,555	4,842,811	0.60	4.37
Depreciation of fixed assets		309,290	705,257	0.25	0.63
Bank charges		10,099	77,399	0.01	0.07
Provision of doubtful debts		–	398,107	–	0.36
Claim provision	(11)	313,533	–	0.26	–
Provision no longer requires	(11)	(122,158)	(190,480)	(0.10)	(0.17)
Financing expenses		–	1,359,125	–	1.23
Credit interest		–	(40,256)	–	(0.04)
Foreign exchange (losses) gains		(497,987)	1,899,266	(0.41)	1.71
Capital losses		12,534	–	0.01	–
<b>Total (Losses)</b>		<b>(754,866)</b>	<b>(9,147,358)</b>	<b>(0.62)</b>	<b>(8.25)</b>
Deferred tax		–	188,281	–	0.17
<b>(Losses) of the year</b>		<b>(754,866)</b>	<b>(9,593,380)</b>	<b>(0.62)</b>	<b>(8.65)</b>

**Debashish Neogi**

Chairman

**Aditya Shome**

Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.16/ EGP (Rs. 9.015/ EGP)

## STATEMENT OF CHANGES IN EQUITY

Unconsolidated changes in shareholders's equity For the financial year ended March 31, 2010

Description	Year ended as of December 31, 2010				
	Issues & paid capital	Legal Reserve	Retained profit/(losses)	Profit (Loss) for the year	Total
	EGP	EGP	EGP	EGP	EGP
<b>Balance as at 31/3/2009</b>	250,000	204,310	1,838,794	–	<b>2,293,104</b>
Losses of the year	–	–	–	(9,593,380)	<b>(9,593,380)</b>
Balance at 1/4/2009	<u>250,000</u>	<u>204,310</u>	<u>(7,754,586)</u>	<u>–</u>	<u>(7,300,276)</u>
Losses of the year	–	–	–	(754,866)	<b>(754,866)</b>
Balance as at March 31, 2010	<u>250,000</u>	<u>204,310</u>	<u>(7,754,586)</u>	<u>(754,866)</u>	<u>(8,055,142)</u>

Description	Year ended as of December 31, 2010				
	Issues & paid capital	Legal Reserve	Retained profit/(losses)	Profit (Loss) for the year	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
<b>Balance as at 31/3/2009</b>	0.23	0.18	1.66	–	<b>2.07</b>
Losses of the year	–	–	–	(8.65)	<b>(8.65)</b>
Balance at 1/4/2009	<u>0.23</u>	<u>0.18</u>	<u>(6.99)</u>	<u>–</u>	<u>(6.58)</u>
Losses of the year	–	–	–	(0.62)	<b>(0.62)</b>
Balance as at March 31, 2010	<u>0.20</u>	<u>0.17</u>	<u>(6.33)</u>	<u>(0.62)</u>	<u>(6.57)</u>

**Debashish Neogi**

Chairman

**Aditya Shome**

Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.16/ EGP (Rs. 9.015/ EGP)

**CASH FLOW STATEMENT FINANCIAL YEAR ENDED MARCH 31, 2010**

	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	EGP	EGP	Rs. Crore	Rs. Crore
<b>Cash flows from operating activities</b>				
Net (losses) of the year	(754,866)	(9,593,380)	(0.62)	(8.65)
<b>Adjustments to reconcile (losses) profit to net cash (used) in operating activities</b>				
Fixed assets depreciation	309,290	705,258	0.25	0.64
Deferred tax	–	188,281	–	0.17
Provisions	313,533	398,107	0.26	0.36
provision no longer required	(122,158)	(188,990)	(0.10)	(0.17)
Capital losses	12,534	–	0.01	–
	<b>(241,667)</b>	<b>(8,490,724)</b>	<b>(0.20)</b>	<b>(7.65)</b>
<b>Change in working capital</b>				
Decrease in Clients and notes receivables	46,693	336,816	0.04	0.30
Decrease (Increase) in Due from related parties	2,947,658	(20,157,892)	2.41	(18.17)
Decrease (Increase) in Debtors and other debit balances	225,315	(40,204)	0.18	(0.04)
(Decrease) in Suppliers and notes payables	(24,824)	(100,101)	(0.02)	(0.09)
Increase in Due to related parties	17,178,108	16,227,150	14.02	14.63
(Decrease) in Creditors and other credit balances	(1,278,320)	(1,102,839)	(1.04)	(0.99)
<b>Net cash flows (used in) operating activities</b>	<b>19,094,630</b>	<b>(13,327,794)</b>	<b>15.58</b>	<b>(12.02)</b>
<b>Cash flows from investing activities</b>				
Payment for property, plant and equipment	–	(373,653)	–	(0.34)
Change in Investment	–	15,000	–	0.01
Received from sale of fixed assets	927,439	–		
<b>Net cash flows (used in) investing activities</b>	<b>927,439</b>	<b>(358,653)</b>	<b>0.76</b>	<b>(0.32)</b>
<b>Cash flows from financing activities</b>				
Received from credit facilities	(19,863,787)	12,702,137	(16.21)	11.45
<b>Net cash flows (used in) from financing activities</b>	<b>(19,863,787)</b>	<b>12,702,137</b>	<b>(16.21)</b>	<b>11.45</b>
<b>Net change in cash and cash equivalents</b>	<b>(83,385)</b>	<b>(984,310)</b>	<b>(0.07)</b>	<b>(0.89)</b>
Cash and cash equivalents at the beginning of the year	114,814	1,099,124	0.09	0.99
<b>Cash and cash equivalents as at the end of year</b>	<b>31,429</b>	<b>114,814</b>	<b>(0.03)</b>	<b>(0.10)</b>

Debashish Neogi

Chairman

Aditya Shome

Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.16/ EGP (Rs. 9.015/ EGP)

## NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2010

### 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 Egyptian American for Investment and Industrial Development factory, the company provides the manufacturer with all raw & packing materials, the manufacturing charge is 1.75 % of consumer price for the produced quantities during the period according to manufacturing agreement dated September 13th ,2006 and its amendments dated March 31st,2007, during the period from April 1st ,2007 the company leased Egyptian American for Investment and Industrial Development factory and produced through it according to lease agreement dated April 1st , 2007, according to this agreement the company is charged by all the manufacturing expenses related to the production. The company stopped production from July 1st 2007.
- Egyptian American for Investment and Industrial Development distributes all the company's products against distribution charge and managerial charge of 1.75 % & 1.3125% respectively of consumer price for total sales during the period from October 1st 2006 till March 31st 2007, Egyptian American for Investment and Industrial Development guarantees the collection from customers according to distributorship agreements dated September 13th 2006 and its amendments dated March 31st 2007.

#### The objective of the company

The company's main objective is to produce the products related to consumer care and skin care at third party's factories, selling and 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 to make them affiliated there to according to the provision of law and its executive regulations.

### 2) Significant accounting policies

#### 2-1- Upholding accounting standards and legal principles

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

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

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

#### 2-3- Change in accounting principles:-

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

#### 2-4- Foreign currency transaction :

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

## NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2010

### 2-5- Depreciation of fixed assets

Recognition and preliminary measurement:-

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

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

Depreciation:-

Fixed assets are shown in the balance sheet at historical cost, building are depreciated with straight line method according to estimated useful life, the other assets are depreciated with declining line method according to the following rates: -

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

### 2-6- Investment in subsidiary and affiliated companies

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

The investment in subsidiary and affiliated companies is recorded as per the acquisition cost. In case that there is a reduction in the fair value below the book value, the book value is amended to reflect the reduced value and it is reflected in the income statement under depletion in the value of investments in subsidiary and 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 investments separately.

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

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

### 2-7- Accounting for long-term Investment

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

### 2-8- Valuation of financial investments available for sale:-

It is valued at the end of the financial year with the fair value that reflects the market value and the differences in valuation are reflected in the income statement. Valuation of investments that has lost one of the conditions of its classification as financial notes for sale with its book value while reducing this valuation in case of a reduction in it following an objective study including the latest financial statements of the company that issued these notes. The differences in valuation will be reflected in the income statement.

## NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2010

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

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

### 2-10-Impairment in the value of financial assets

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

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

### 2-11-Revenue Recognition

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

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

### 2-12-Provisions :-

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

### 2-13-Employees' benefits

Social insurance and pension scheme:-

The Company contributes to the government social insurance system on behalf of employees according to the Social Insurance Law No.79 for 1975 and its amendments. The employees and Company contribute according to this law with a fixed percentage of their salary and company's obligation is limited to its contribution. The company's contribution is reflected in the income statement according to the accrual principle.

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.



## NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2010

### 2-14-Related parties transactions :

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

### 2-15-Accounting estimates :

According to Egyptian Accounting Standards the preparation of the financial statement requires the management to make some approximations and predictions that affect the value of assets, obligations income and expenses during the financial year. The actual amounts could be quite different from these predictions.

### 2-16-Expenses :

All expense, including administrative general expenses, are to be reflected in the income statement for the financial period that such expenses were incurred according to accrual bases.

### 2-17-Legal reserves :

According to law No. 159 year 1981, its executive directives and the constitution of the company, there should be legal reserve of no less 5 % of the profit of the company and such reserve should not be increased once this reserve amount reaches 50% of the company's issued capital.

### 2-18-Cash flow statements :

The cash flow statement will be prepared according to the indirect method.

### 2-19-Cash and cash equivalents:

For the purpose of the cash flows statement, cash and cash equivalents are to be considered cash on hand and at banks, short term fixed deposits, checks under collection and letters of guarantee cover, if any.

### 2-20-Comparative figures :

Comparative figures are reclassified whenever it is necessary to amend the presentation used during the current period.

## 3) **Financial Instruments** :

Financial instruments are made up of any contractual agreement that gives the right to financial assets of the company and creates a financial or shareholding obligation to the other side of the contract.

### 3-1- Debtors :-

Debtor's balances are booked as per their actual value after deducting the appropriate provision for the amounts that are not expected to be collected.

### 3-2- Creditors :-

Creditors' balances are recorded 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 includes the significant policies used in recording and measuring significant financial instruments and the related revenues and expenses.

## NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2010

### 5. Fixed assets (net)

Represent net fixed assets as of March 31st 2010 amount EGP 67,848 as follows:-

Description	Furniture & Office equipment EGP	Vehicles EGP	Tools & Equip- ments EGP	Comp- uters EGP	Total EGP
<b>Cost</b>					
Cost on 1/4/2009	670,602	1,332,553	36,650	445,338	2,485,143
Disposal	(280,214)	(1,132,553)	(36,650)	–	(1,449,417)
<b>Cost at 1/4/2010</b>	<b>390,388</b>	<b>200,000</b>	<b>–</b>	<b>445,338</b>	<b>1,035,726</b>
<b>Accumulated Depreciation</b>					
Accumulated depreciation on 1/4/2009	331,549	491,105	19,001	407,593	1,249,248
Depreciation for the year	214,221	55,829	1,524	37,714	309,288
Accumulated depreciation of Disposal	(155,387)	(414,745)	(20,525)	–	(590,657)
<b>Accumulated depreciation on 31/03/2010</b>	<b>390,383</b>	<b>132,189</b>	<b>2</b>	<b>445,307</b>	<b>967,881</b>
<b>Net Fixed assets on 31/03/2010</b>	<b>5</b>	<b>67,811</b>	<b>2</b>	<b>31</b>	<b>67,849</b>
<b>Net Fixed assets on 31/03/2009</b>	<b>339,053</b>	<b>841,448</b>	<b>17,649</b>	<b>37,745</b>	<b>1,235,895</b>

Description	Furniture & Office equipment Rs. Crore	Vehicles Rs. Crore	Tools & Equip- ments Rs. Crore	Comp- uters Rs. Crore	Total Rs. Crore
<b>Cost</b>					
Cost on 1/4/2009	0.60	1.20	0.03	0.40	2.24
Disposal	(0.23)	(0.92)	(0.03)	–	(1.18)
<b>Cost at 1/4/2009</b>	<b>0.32</b>	<b>0.16</b>	<b>–</b>	<b>0.36</b>	<b>0.85</b>
<b>Accumulated Depreciation</b>					
Accumulated depreciation on 1/4/2009	0.30	0.44	0.02	0.37	1.13
Depreciation for the year	0.17	0.05	–	0.03	0.25
Accumulated depreciation of Disposal	(0.13)	(0.34)	(0.02)	–	–
<b>Accumulated depreciation on 31/03/2010</b>	<b>0.32</b>	<b>0.11</b>	<b>–</b>	<b>0.36</b>	<b>0.79</b>
<b>Net Fixed assets on 31/03/2010</b>	<b>–</b>	<b>0.06</b>	<b>–</b>	<b>–</b>	<b>0.06</b>
<b>Net Fixed assets on 31/03/2009</b>	<b>0.31</b>	<b>0.76</b>	<b>0.02</b>	<b>0.03</b>	<b>1.11</b>

## NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2010

### 6 Long Term Investments

This item is represented as follows :-

	31/3/2010 EGP	31/3/2009 EGP	31/3/2010 Rs. Crore	31/3/2009 Rs. Crore
Marico Egypt Industries Company (MEI)*	1,506,718	1,506,718	1.23	1.36
Wind company (MEL Consumer Care & Partner)	1,609,640	1,609,640	1.31	1.45
	<b>3,116,358</b>	<b>3,116,358</b>	<b>2.54</b>	<b>2.81</b>

- The Contribution percentage in Marico Egypt industries Company (MEI) is 99%.

Formerly (Pyramid Modern Industries).

- The Contribution percentage in Wind Company (MEL Consumer Care & Partner) is 99%.

### 7 Debtors and other debit balances

This item is made up as follows :-

	31/3/2010 EGP	31/3/2009 EGP	31/3/2010 Rs. Crore	31/3/2009 Rs. Crore
Clients	-	1,348,244	-	1.22
Less: Impairment in Clients receivables	-	(1,301,551)	-	(1.17)
	-	<b>46,693</b>	-	<b>0.04</b>

### 8 Due from related parties

This item is made up as follows :-

	31/3/2010 EGP	31/3/2009 EGP	31/3/2010 Rs. Crore	31/3/2009 Rs. Crore
Wind Company (MEL Consumer Care & Partner)	22,172,382	27,197,042	18.09	24.52
Egyptian American Co.For Investment and Industrial Development (EAIIDC)	2,077,002	-	1.69	-
	<b>24,249,384</b>	<b>27,197,042</b>	<b>19.79</b>	<b>24.52</b>

### 9 Debtors and other debit balances

This Item is made up as follows :-

	31/3/2010 EGP	31/3/2009 EGP	31/3/2010 Rs. Crore	31/3/2009 Rs. Crore
Supplier's - advance payments	-	550	-	0.00
Prepaid expenses	750	11,957	0.00	0.01
With holding Tax	-	14,787	-	0.01
Sales Tax -	124,123	-	0.11	-
Custodies -	33,319	-	0.03	-
Deposits with others	-	23,940	-	0.02
Employees loans	6,259	23,648	0.01	0.02
	<b>7,009</b>	<b>232,324</b>	<b>0.01</b>	<b>0.21</b>

### 10 Cash and cash equivalents

This Item is made up as follows :-

	31/3/2010 EGP	31/3/2009 EGP	31/3/2010 Rs. Crore	31/3/2009 Rs. Crore
Banks - current accounts	31,428	114,814	0.03	0.10
	<b>31,428</b>	<b>114,814</b>	<b>0.03</b>	<b>0.10</b>

**NOTES TO THE FINANCIAL STATEMENT**

For the financial year ended March 31, 2010

**11 Provisions**

This Item is made up as follows :-

	31/3/2010 EGP	31/3/2009 EGP	31/3/2010 Rs. Crore	31/3/2009 Rs. Crore
Balance as at 1/4/2009		180,689		0.16
Add :				
- Transferred amounts from creditors & credit balances	177,299		0.14	
- Formed during the year to face the financing expenses	246,650		0.20	
- Also formed during the year to face the salaries and sales tax	66,910		0.05	
		490,859		0.40
		<u>671,548</u>		<u>0.56</u>
Less :				
- Used during the year in general & administrative expenses	72,316		0.06	
- Provision no longer required and charged to income statement	122,158		0.10	
		194,474		0.16
<b>Balance as at 31/3/2010</b>		<b>477,074</b>		<b>0.40</b>

**12 Banks - Overdraft & Credit Facilities**

This Item is made up as follows :-

	31/3/2010 EGP	31/3/2009 EGP	31/3/2010 Rs. Crore	31/3/2009 Rs. Crore
Bank over draft	-	-	-	-
Bank - credit facility *	-	19,863,787	-	17.91
	-	<u>19,863,787</u>	-	<u>17.91</u>

\*This item is represented in bank facility granted to the company from HSBC Bank as follow

**Guarantees:**

- Bank Guaranty from Standard Chartered Mumbai bank amounting to USD 2800000.
- Letter of Credit from HSBC India for USD 3 million.
- Deposit held.
- General guaranty on the goods according to agreement.

**Commission & Interest**

- Interest are calculated on used part of foreign currency according to libor rate 3 month + 2.4%.
- Commission is calculated on the highest debit balance at 0.5%.
- Interest is calculated on addirional part at fine rate 2% over current rate.
- Discount of 50% on standard tariff for HSBC Egypt.
- Constant rate is calculated for collecting checks at EGP 15 for each checks.

**NOTES TO THE FINANCIAL STATEMENT**

For the financial year ended March 31, 2010

**13 Suppliers and notes payables :**

This Item is made up as follows :-

	<u>31/3/2010</u>	<u>31/3/2009</u>	<u>31/3/2010</u>	<u>31/3/2009</u>
	EGP	EGP	Rs. Crore	Rs. Crore
Suppliers	-	24,824	-	0.02
Notes payables	-	-	-	-
	<u>-</u>	<u>24,824</u>	<u>-</u>	<u>0.02</u>

**14 Due From Related Parties**

This Item is made up as follows :-

	<u>31/3/2010</u>	<u>31/3/2009</u>	<u>31/3/2010</u>	<u>31/3/2009</u>
	EGP	EGP	Rs. Crore	Rs. Crore
Marico Middle East Company (MME) Holding Company	9,890,660	10,141,511	8.07	9.14
Marico Limited Company	-	443,058	-	0.40
Marico Egypt for Industries Company (MEI)	25,144,434	6,050,915	20.52	5.45
Egyptian American Co.For Investment and Industrial Development Company (EAIIDC)	-	1,221,502	-	1.10
	<u>35,035,094</u>	<u>17,856,986</u>	<u>28.59</u>	<u>16.10</u>

**15 Creditors and other credit balances**

This Item is represented as follows :-

	<u>31/3/2010</u>	<u>31/3/2009</u>	<u>31/3/2010</u>	<u>31/3/2009</u>
	EGP	EGP	Rs. Crore	Rs. Crore
Sales tax	-	1,217	-	0.00
Withholding tax	-	43,252	-	0.04
Salaries & wages tax	-	102	-	0.00
Stamp tax	15,000	1,181,596	0.01	1.07
Accrued expenses	-	13,515	-	0.01
Income Tax	-	6,801	-	0.01
Social Insurance Authority	-	46,837	-	0.04
	<u>15,000</u>	<u>1,293,320</u>	<u>0.01</u>	<u>1.17</u>

**16 Capital**

The authorized capital was determined by EGP 2,500,000(Two million five hundred thousand Egyptian pound) and the issued capital is 250,000 (two hundred fifty thousand Egyptian pound) distributed over 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 L.E.	Rs. Crore
Harshraj Charandas Mariwala	Indian	1	1000	0.00
Milind Shripad Sarwate	Indian	1	1000	0.00
Vijay Subramaniam	Indian	1	1000	0.00
Marico Middle East, FZE	Emirates	247	247000	0.20
		<u>250</u>	<u>250000</u>	<u>0.20</u>

## NOTES TO THE FINANCIAL STATEMENT

For the financial year ended March 31, 2010

### 17 Tax status

First : Corporate tax

- The company wasn't scrutinized up till now
- The company submits the tax returns on legal dates.

Second : Salaries & wages tax

- The Company was scrutinized from beginning of activity till 31/3/2007
- The Company pays salaries & wages tax regularly.

Third : Stamp duty

- The company wasn't scrutinized till now
- The company pays stamp duty according to taxes system.

Fourth : Withholding tax

- The Company pays withholding tax regularly.

Fifth : Sales tax

- The company was scrutinized from beginning of activity till 31/3/2009

### 18 Comparative figures

The comparison figures have been reclassified to confirm to current year classification.

**Debashish Neogi**  
Chairman

**Aditya Shome**  
Managing Director

# EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL DEVELOPMENT COMPANY S.A.E

**Board of Directors**

Debashish Neogi

Aditya Shome

Satish V

Suranjan Das

Marico Middle East represented by Vijay Subramaniam

**Registered Office**

2<sup>nd</sup> Industrial Zone, 6<sup>th</sup> October City, No. 129 & 130, Egypt

**Auditors**

Baker & Tilly

**Bankers**

HSBC Limited

NSGB Limited

**Legal Advisors**

Yasser Maharem Office for Accounting and Auditing

## INDEPENDENT AUDITORS' REPORT

To

The Shareholders of Egyptian American for Investment and Industrial Development Company S.A.E

### Report on the Financial Statements

We have audited the accompanying balance sheet of Egyptian American Co. For Investment and Industrial Development SAE as of December 31, 2009 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes. The financial statements of previous year were audited by another auditor.

### Management's Responsibility for the Financial Statements

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

### 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 standard and the relevant laws and regulation. Those standards require that we comply with ethical requirements to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements presents fairly in all material respects, the financial position of Egyptian American for Investment and Industrial development SAE as of 31 December 2009, and of its financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the relevant laws and regulations.

### Emphasis of matter

The retained losses reaches amount EGP 10847488 on 31/12/2009, that required extra-ordinary general assembly according to article no.(69) of law No.159 for the year 1981 to take decision about continuity of the company or not.

### Report on Other Legal and Regulatory Requirements

The Company keeps proper accounting records, include all that is required by law to be recorded therein and the accompanying financial statements are agreement therewith, the Company applies a sufficient costing system. Inventory count and valuation was made by company's management and under their responsibility.

The financial information included in the Board of Directors' report in compliance with companies Law No. 159 year 1981 and its executive regulations and its agreement with the accounting record of the Company to the extent that such information is recorded therein.

Cairo, 01/03/2010

Sherinn oureldin  
R.A.A 6809  
BAKER TILLY  
Wahid Abdel Ghaffar & Co.

BAKER TILLY  
WAHID ABDEL GHAFFAR & Co.  
PUBLIC ACCOUNTANT & CONSULTANT



EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL  
DEVELOPMENT COMPANY S.A.E

## BALANCE SHEET

As at December 31, 2009					
	Note no.	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
<b>Assets</b>					
<b>Long - Term Assets</b>					
Fixed assets (net)	(4)	2,362,720	2.00	2,298,469	2.04
Project under progress		173,013	0.15	-	-
<b>Total Long - Term Assets</b>		<b>2,535,733</b>	<b>2.15</b>	<b>2,298,469</b>	<b>2.04</b>
<b>Current Assets</b>					
Inventory (net)	(5)	2,584,661	2.19	7,492,015	6.64
Clients and notes receivable (net)	(6)	10,314,075	8.75	16,048,424	14.22
Debtors and other debit accounts	(7)	251,135	0.21	729,574	0.65
Cash and cash equivalents	(8)	1,609,547	1.37	285,500	0.25
<b>Total Current Assets</b>		<b>14,759,418</b>	<b>12.52</b>	<b>24,555,513</b>	<b>21.75</b>
<b>Current Liabilities</b>					
Claim Provisions	(9)	610,832	0.52	495,504	0.44
Bank Credit Balance		-	-	715,915	0.63
Affiliated companies	(10)	13,268,352	11.26	12,201,437	10.81
Suppliers and notes payables	(11)	3,499,710	2.97	1,534,453	1.36
Creditors and other credit accounts	(12)	3,424,301	2.91	3,084,396	2.73
<b>Total Current Liabilities</b>		<b>20,803,195</b>	<b>17.65</b>	<b>18,031,705</b>	<b>15.97</b>
<b>Working Capital</b>		<b>(6,043,777)</b>	<b>(5.13)</b>	<b>6,523,808</b>	<b>5.78</b>
<b>Total investment</b>		<b>(3,508,044)</b>	<b>(2.98)</b>	<b>8,822,277</b>	<b>7.81</b>
<b>To be financed as follows</b>					
<b>Shareholder's Equity</b>					
Issued and paid up capital	(13)	6,892,000	5.85	6,892,000	6.10
Legal Reserve		374,360	0.32	374,360	0.33
Other Reserve		493	0.00	493	0.00
Retained Profits		1,513,450	1.28	7,112,847	6.30
Net (losses) of the year		(12,360,938)	(10.49)	(5,599,397)	(4.96)
<b>Total Shareholders' Equity</b>		<b>(3,580,635)</b>	<b>(3.04)</b>	<b>8,780,303</b>	<b>7.78</b>
<b>Long - Term liabilities</b>					
Deferred tax liabilities	(14)	72,591	0.06	41,974	0.04
<b>Total Shareholders' Equity and Long Term liabilities</b>		<b>(3,508,044)</b>	<b>(2.98)</b>	<b>8,822,277</b>	<b>7.81</b>

The accompanying notes on pages from (1) to (17) form integral part of these financial statements and are to be read therewith.

Auditor's report attached

**Satish Verappa**

Director

**Aditya Shome**

Managing Director

Sherinn oureldin  
R.A.A 6809  
BAKER TILLY  
Wahid Abdel Ghaffar & Co.

BAKER TILLY  
WAHID ABDEL GHAFFAR & Co.  
PUBLIC ACCOUNTANT & CONSULTANT

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.484/ EGP (Rs. 8.858/ EGP)

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL  
DEVELOPMENT COMPANY S.A.E

## INCOME STATEMENT

Year ended December 31, 2009

	Note no.	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
Net Sales	(15)	21,923,950	18.60	33,789,645	29.93
<b>Less :</b>					
Cost of sales		18,460,125	15.66	22,395,073	19.84
<b>Gross profit</b>		<b>3,463,825</b>	<b>2.94</b>	<b>11,394,572</b>	<b>10.09</b>
Selling and distribution expenses		7,079,940	6.01	9,022,351	7.99
General and administrative expenses		3,576,199	3.03	3,027,951	2.68
Depreciation of fixed assets		149,955	0.13	15,261	0.01
Provision of Doubtful debt		5,296,615	4.49	5,201,661	4.61
Claim provision		396,094	0.34	381,602	0.34
Royalty		202,251	0.17	1,579,937	1.40
<b>Total expenses</b>		<b>16,701,054</b>	<b>14.17</b>	<b>19,228,763</b>	<b>17.03</b>
<b>Operating Losses</b>		<b>(13,237,229)</b>	<b>(11.23)</b>	<b>(7,834,191)</b>	<b>(6.94)</b>
<b>Add :</b>					
Provision no longer required		41,065	0.03	2,285,512	2.02
Capital gains		33,492	0.03	-	-
Foreign exchange gains		56,536	0.05	141,182	(0.13)
Royalties from previous year		669,031	0.57	-	-
Scrap revenues		106,784	0.09	117,438	0.10
<b>Total</b>		<b>906,908</b>	<b>0.77</b>	<b>2,261,768</b>	<b>2.00</b>
<b>Net (losses) before deferred tax</b>		<b>(12,330,321)</b>	<b>(10.46)</b>	<b>(5,572,423)</b>	<b>(4.94)</b>
Deferred tax		(30,617)	(0.03)	(26,974)	(0.02)
<b>Net (losses) after deferred tax</b>		<b>(12,360,938)</b>	<b>(10.49)</b>	<b>(5,599,397)</b>	<b>(4.96)</b>

**Satish Verappa**  
Director

**Aditya Shome**  
Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.484/ EGP (Rs. 8.858/ EGP)

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL  
DEVELOPMENT COMPANY S.A.E

## STATEMENT OF CHANGES IN EQUITY

Year ended as of December 31, 2009

Description	Issued and Paid capital EGP	Legal Reserve EGP	Other Reserve EGP	Retained Profits EGP	Net (loss) profit for the year EGP	Total EGP
<b>Balance at 1/1/2007</b>	9,750,000	19,489	-	326,642	338,555	10,434,686
Transferred to retained earnings	-	-	-	338,555	(338,555)	-
Transferred to the split off company as results of division	(2,858,000)	(19,489)	-	(664,704)	-	(3,542,193)
Transferred to Other reserve as results of division	-	-	493	(493)	-	-
Net profit for the year	-	-	-	-	7,487,207	7,487,207
<b>Balance at 31/12/2007</b>	<b>6,892,000</b>	<b>-</b>	<b>493</b>	<b>-</b>	<b>7,487,207</b>	<b>14,379,700</b>
Transferred to retained profits	-	-	-	7,112,847	(7,112,847)	-
Transferred to Legal Reserve	-	374,360	-	-	(374,360)	-
Net (losses) of the year	-	-	-	-	(5,599,397)	(5,599,397)
<b>Balance at 31/12/2008</b>	<b>6,892,000</b>	<b>374,360</b>	<b>493</b>	<b>7,112,847</b>	<b>(5,599,397)</b>	<b>8,780,303</b>
Closed retained losses	-	-	-	(5,599,397)	5,599,397	-
Net (losses) of the year	-	-	-	-	-(12,360,938)	(12,360,938)
<b>Balance at 31/12/2009</b>	<b>6,892,000</b>	<b>374,360</b>	<b>493</b>	<b>1,513,450</b>	<b>(12,360,938)</b>	<b>(3,580,635)</b>

Description	Issued and Paid in capital Rs. Crore	Legal Reserve Rs. Crore	Other Reserve Rs. Crore	Retained Earnings Rs. Crore	Net (loss) profit for the year Rs. Crore	Total Rs. Crore
<b>Balance as of 1/1/2007</b>	7.13	0.01	-	0.24	0.25	7.63
Transferred to retained earnings	-	-	-	0.25	(0.25)	-
Transferred to the split off company as results of division (2.09)	-	(0.01)	-	(0.49)	-	(2.59)
Transferred to Other reserve as results of division	-	-	-	-	-	-
Net profit for the year	-	-	-	-	5.47	5.47
<b>Balance as of 31/12/2007</b>	<b>5.04</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.47</b>	<b>10.51</b>
Transferred to retained earnings	-	-	-	6.30	(6.30)	-
Legal Reserve	-	0.33	-	-	(0.33)	-
Net (loss) for the year	-	-	-	-	(4.96)	(4.96)
<b>Balance as of 31/12/2008</b>	<b>6.10</b>	<b>0.30</b>	<b>-</b>	<b>6.30</b>	<b>(4.96)</b>	<b>7.78</b>
Closed retained losses	-	-	-	(4.75)	4.75	-
Net (losses) of the year	-	-	-	-	(10.49)	(10.49)
<b>Balance at 31/12/2009</b>	<b>5.85</b>	<b>0.32</b>	<b>-</b>	<b>1.28</b>	<b>(10.49)</b>	<b>(3.04)</b>

Satish Verappa  
Director

Aditya Shome  
Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.484/ EGP (Rs. 8.858/ EGP)

EGYPTIAN AMERICAN FOR INVESTMENT AND INDUSTRIAL  
DEVELOPMENT COMPANY S.A.E

## CASH FLOW STATEMENT

	Note no.	Year ended as of December 31, 2009			
		31/12/2009	31/12/2009	31/12/2008	31/12/2008
		EGP	Rs. Crore	EGP	Rs. Crore
<b>Cash flows from operating activities</b>					
Net (loss) / profit for the year		(12,360,938)	(10.49)	(5,599,397)	(4.96)
<b>Adjustments to reconcile net (losses) with net cash provided from operating activities</b>					
Depreciation of fixed assets		701,880	0.60	566,303	0.50
Capital gains		(33,492)	(0.03)	–	–
Decrease in Inventory Cost to the net realizable		–	–	29,048	0.03
Provision no longer required		(41,065)	(0.03)	(2,285,512)	(2.02)
Provisions		5,228,232	4.44	5,583,263	4.95
Deferred tax expenses		30,617	0.03	26,974	0.02
		<b>(6,474,766)</b>	<b>(5.49)</b>	<b>(1,679,321)</b>	<b>(1.49)</b>
<b>Change in working capital</b>					
Change in Inventory		4,907,354	4.16	(1,866,869)	(1.65)
Change in Clients and Notes receivables **		506,117	0.43	(3,236,833)	(2.87)
Change in debtors and other debit accounts		478,439	0.41	(514,617)	(0.46)
Change in Provisions		156,393	0.13	(222,247)	(0.20)
Change in banks credit balance		(715,915)	(0.61)	715,915	0.63
Change in affiliated companies		1,066,915	0.91	6,284,928	5.57
Change in Supplier and notes payables		1,965,257	1.67	(3,730,639)	(3.30)
Change in Creditors and other credit balances		339,905	0.29	(230,096)	(0.20)
<b>Net cash flows provided from (used in) operating activities</b>		<b>8,704,465</b>	<b>7.38</b>	<b>(2,800,458)</b>	<b>(2.48)</b>
<b>Cash flows from investing activities</b>					
Payments for purchase fixed assets		(766,131)	(0.65)	(130,529)	(0.12)
Received from sale of fixed assets		33,492	0.03	–	–
Change in project under process		(173,013)	(0.15)	–	–
<b>Net cash flows (used in) investing activities</b>		<b>(905,652)</b>	<b>(0.77)</b>	<b>(130,529)</b>	<b>(0.12)</b>
<b>Increase / (Decrease) in cash flows</b>		<b>1,324,047</b>	<b>1.12</b>	<b>(4,610,308)</b>	<b>(4.08)</b>
Cash and cash equivalents as at the beginning of the year		285,500	0.24	4,895,808	4.34
<b>Cash and cash equivalents at the end of the year</b>		<b>1,609,547</b>	<b>1.37</b>	<b>285,500</b>	<b>0.25</b>

**Satish Verappa**  
Director

**Aditya Shome**  
Managing Director

Note: The exchange rate used to convert EGP to Rs. is Rs. 8.484/ EGP (Rs. 8.858/ EGP)

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2009

### 1 The Company's Background and Its Activities

Egyptian American Co. for Investment and Industrial Development "Redico" - An Egyptian joint stock Company- was established under the provisions of law No. 159 of 1981 and its executive regulation. The company was registered in the commercial register under no.117830, dated 14/12/1997.

According to the decision of the Extraordinary general assembly meeting held on 16/12/2006 and the resolution issued by chairman of General Authority For Investments & Free Zone (GAFI) No.235/2 for the year 2007 concerning the division licensing of the Egyptian American Co. for Investment and Industrial Development - Redico- in order to be divided into two companies (split company and split off company) and according to what will be mentioned below, the recent name of the company is, the Egyptian American Co. for Investment and Industrial Development. The aforementioned amendment concerning the name of the company was registered in the commercial register on 15/3/2007.

The company period is 25 years starting from 14th Dec 1997 till 13th Dec 2022.

The company located in first & second floor lands No. 1130, the second industrial zone, Sixth of October

### 2 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 Investments & Free Zone (GAFI) chairman's decision No, 235/2 for the year 2007 regarding the license to divide Egyptian American Co. for Investment and Industrial Development (Redico) ,referred there to as the split company, into two joint stock companies according to the below -mentioned data , and based upon the decision of the Extraordinary General Assembly Meeting ,held on 16/12/2006. It was approved to amend the objective of the company to be as follows:

- 1 Manufacturing cosmetics, perfumes and essential oils.
- 2 Importing equipment, machines, tools and raw materials required to execute the objectives of the company.
- 3 Import, export and commercial agencies.

### 2 Significant accounting policies

#### 2-1- Upholding accounting standards and legal principles

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

#### 2-2- Basis preparation of financial Statements

The financial statements have been prepared at Egyptian pound.

The financial statements have been prepared according to historical cost and continuity presumption.

#### 2-3- Change in accounting principles

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2009

### 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 charsed to income statement.

### 2-5- Depreciation of fixed assets

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

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

#### The Depreciation

Fixed assets are shown in the balance sheet at historical cost and according to estimated useful life of each asset in accordance with the following rates.

- Building and construction	5%	Straight line method
- Machines	12.5%	Straight line method
- Computer and programs	50%	Straight line method
- Lab equipment	25%	Straight line method
- Furniture & office equipment	50%	Straight line method
- Vehicles	25%	Straight line method

### 2-6- Investment in subsidiary and affiliated companies:-

Subsidiary and affiliated companies are companies that are under the control of the company. Such control is achieved when the company is in control of the financial and operation policies of that company for the purpose of obtaining the benefit reaped from its activities. when ascertaining the amount of future voting power and its affect on the control and denomination, 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- Accounting for long -term investnents:-

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

### 2-8- Valuation of financial investments available for sale :-

It is valued at the end of the financial year with the fair value that reflects the market value and the differences in valuation are reflected in the income statement. Valuation of investments that has lost one of the conditions of its

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2009

classification as financial notes for sale with its book value while reducing this valuation in case of a reduction in it following an objective study including the latest financial statements of the company that issued these notes. The differences in valuation will be reflected in the income statement.

### 2-9- 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.

### 2-10- 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.

### 2-11- Impairment in the value of financial assets :-

On the anniversary of each balance sheet, an objective estimate is carried out to ascertain if there is true indication that any of the assets have been impaired. Once there is a impairment in the the value of an asset the loss is recorded only if there are objective proofs that the impairment of the value was due to an incident or more after the initial realization of the asset and that such incident or incidents had an affect that can be evaluated in a reliable manner for the expected future cash flow from the assets. 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 assets.

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

### 2-12- 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.

### 2-13- 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.

### 2-14- 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 1915 and its amendments. The employees and the company contribute according to this law

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended as of December 31, 2009

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.

**2-15- 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.

**2-16- 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.

**2-17- 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.

**2-18- 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.

**2-19-Cash flows statement :-**

The cash flow statement will be prepared according to the indirect method.

**2-20- 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.

**2-21- Comparative Figures :-**

Comparative figures are reclassified whenever it is necessary to amend the presentation used during the current period.

(3) **Financial Instruments :-**

Financial instruments are made up of any contractual agreement that gives the right to financial assets of the company and creates a financial or shareholding obligation to the other side of the contact.

**3-1- Debtors :-**

Debtors balances are booked as per their actual value after deducting the appropriate provision for the amounts that are not expected to be collected.

**3-2- Creditors :-**

Creditors balances are record as per their actual value.



## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended December 31, 2009

### 4 Fixed assets

Represent net fixed assets as of December 31, 2009 amount EGP 2362720 as follows:

Description	Land	Buildings	Furniture & Office Equipments	Vehicles	Machine	Tools & equipment	Computers	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
Cost on Jan 1, 2009	52,400	2,253,620	21,897	613,380	3,162,311	24,255	32,550	6,160,413
Addition during the year	-	-	17,595	677,010	50,130	16,607	4,789	766,131
Disposal	-	-	-	(122,676)	-	-	-	(122,676)
Cost at Dec 31, 2009	<u>52,400</u>	<u>2,253,620</u>	<u>39,492</u>	<u>1,167,714</u>	<u>3,212,441</u>	<u>40,862</u>	<u>37,339</u>	<u>6,803,868</u>
Accumulated depreciation on Jan 1, 2009 *	-	660,025	10,000	613,375	2,554,892	6,770	16,882	3,861,944
Depreciation of the Year	-	187,739	6,659	126,935	355,700	8,486	16,361	701,880
Accumulated depreciation of disposals	-	-	-	(122,676)	-	-	-	(122,676)
Accumulated depreciation on Dec 31, 2009	-	<u>847,764</u>	<u>16,659</u>	<u>617,634</u>	<u>2,910,592</u>	<u>15,256</u>	<u>33,243</u>	<u>4,441,148</u>
Net fixed assets on Dec 31, 2009	<u>52,400</u>	<u>1,405,856</u>	<u>22,833</u>	<u>550,080</u>	<u>301,849</u>	<u>25,606</u>	<u>4,096</u>	<u>2,362,720</u>
Net fixed assets on Dec 31, 2008	<u>52,400</u>	<u>1,593,595</u>	<u>11,897</u>	-	<u>607,419</u>	<u>17,485</u>	<u>15,668</u>	<u>2,298,464</u>

Description	Land	Buildings	Furniture & Office Equipments	Vehicles	Machine	Tools & equipment	Computers	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Cost								
Cost on Jan 1, 2009	0.05	2.00	0.02	0.54	2.80	0.02	0.03	5.46
Addition	-	-	0.01	0.57	0.04	0.01	0.00	0.65
Disposal	-	-	-	(0.10)	-	-	-	(0.10)
Cost on Dec 31, 2009	<u>0.04</u>	<u>1.91</u>	<u>0.03</u>	<u>0.99</u>	<u>2.73</u>	<u>0.03</u>	<u>0.03</u>	<u>5.77</u>
Accumulated depreciation on Jan 1, 2009*	-	0.56	0.01	0.52	2.17	0.01	0.01	3.28
Depreciation of the Year	-	0.16	0.01	0.11	0.30	0.01	0.01	0.60
Accumulated depreciation of disposals	-	-	-	(0.10)	-	-	-	(0.10)
Accumulated depreciation on Dec 31, 2009	-	<u>0.72</u>	<u>0.01</u>	<u>0.52</u>	<u>2.47</u>	<u>0.01</u>	<u>0.03</u>	<u>3.77</u>
Net book value as at Dec 31, 2009	<u>0.04</u>	<u>1.19</u>	<u>0.02</u>	<u>0.47</u>	<u>0.26</u>	<u>0.02</u>	<u>0.00</u>	<u>2.00</u>
Net book value as at Dec 31, 2008	<u>0.05</u>	<u>1.41</u>	<u>0.01</u>	-	<u>0.54</u>	<u>0.02</u>	<u>0.01</u>	<u>2.04</u>

The following assets are completely depreciated but it still used during year 2009 :-

Asset	Furniture & Office Equipments	Furniture & Office Equipments	Vehicles	Vehicles	Machine	Machine	Computers	Computers	Total	Total
	EGP	Rs. Crore	EGP	Rs. Crore	EGP	Rs. Crore	EGP	Rs. Crore	EGP	Rs. Crore
Cost	1,382	-	122,676	0.10	440,525	0.37	2,108	-	566,691	0.48

The Depreciation charged as follows :-

Description	Charged to cost of sales	Charged to income Statement	Charged to cost of sales	Charged to income Statement	Total	Total
	EGP	Rs. Crore	EGP	Rs. Crore	EGP	Rs. Crore
Building	187,739	0.16	-	-	187,739	0.16
Machines	355,700	0.30	-	-	355,700	0.30
Tools & equipment	8,486	0.01	-	-	8,486	0.01
Furniture & office equipment	-	-	6,659	0.01	6,659	0.01
Vehicles	-	-	126,935	0.11	126,935	0.11
Computers	-	-	16,361	0.01	16,361	0.01
<b>Total</b>	<u>551,925</u>	<u>0.47</u>	<u>149,955</u>	<u>0.13</u>	<u>701,880</u>	<u>0.60</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 5 Inventory

This item is made up as follows:-

	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
Raw materials	1,051,216	0.89	2,271,781	2.01
Goods under operating	84,296	0.07	114,035	0.10
Finished goods	2,563,946	2.18	2,691,223	2.38
Packing & Packaging materials	2,741,606	2.33	2,414,976	2.14
	<b>6,441,064</b>	<b>5.46</b>	<b>7,492,015</b>	<b>6.64</b>
<b>Less :</b>				
Provision for price decline	3,856,403	3.27	-	-
	<b>2,584,661</b>	<b>2.19</b>	<b>7,492,015</b>	<b>6.64</b>

### 6 Clients and notes receivables

This item is made up as follows:-

	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
Local clients	19,950,736	16.93	20,109,852	17.81
Foreign clients	998,569	0.85	1,084,256	0.96
	<b>20,949,305</b>	<b>17.77</b>	<b>21,194,108</b>	<b>18.77</b>
Notes receivable	-	-	261,316	0.23
	<b>20,949,305</b>	<b>17.77</b>	<b>21,455,424</b>	<b>19.01</b>
<b>Less :</b>				
<b>(6/1) Provision for doubtful debt</b>	10,635,230	9.02	5,407,000	4.79
	<b>10,314,075</b>	<b>8.75</b>	<b>16,048,424</b>	<b>14.22</b>

### (6/1) Provision for doubtful debt

This item is made up as follows:-

	31/12/2009 EGP	31/12/2009 Rs. Crore
Balance on 01/01/2009	5,407,000	4.79
<b>Less :</b>		
Used during the year	68,385	0.06
	<b>5,338,615</b>	<b>4.53</b>
<b>Add :</b>		
Formed this year	5,296,615	4.49
<b>Balance on 31/12/2009</b>	<b>10,635,230</b>	<b>9.02</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

### 7 Debtors and other debit accounts

This item is made up as follows:-

	31/12/2009	31/12/2009	31/12/2008	31/12/2008
	EGP	Rs. Crore	EGP	Rs. Crore
Supplier's - advance payment	158,532	0.13	583,499	0.52
Prepaid expenses	56,074	0.05	45,922	0.04
Employee loans	–	–	37,908	0.03
Deposits with others	30,086	0.03	41,500	0.04
Other debit accounts	6,443	0.01	20,745	0.02
	<u>251,135</u>	<u>0.21</u>	<u>729,574</u>	<u>0.65</u>

### 8 Cash and cash equivalents

This item is made up as follows:-

	31/12/2009	31/12/2009	31/12/2008	31/12/2008
	EGP	Rs. Crore	EGP	Rs. Crore
Banks - Local currency	1,605,579	1.36	282,346	0.25
Banks - foreign currency	3,968	0.00	843	0.00
Cash on hand	–	–	2,311	0.00
	<u>1,609,547</u>	<u>1.37</u>	<u>285,500</u>	<u>0.25</u>

### 9. Claim Provisions

This item is made up as follows:-

	EGP	EGP
Balance on 01/01/2009		495,504
<b>Less :</b>		
Used during the year	249,658	
Provision no longer required	41,065	
		<u>290,723</u>
		204,781
<b>Add :</b>		
Transferred from credit balances	9,957	
Formed during the year	<u>396,094</u>	
		<u>406,051</u>
<b>Balance on 31/12/2009</b>		<u>610,832</u>
	<b>Rs.(Crore)</b>	<b>Rs.(Crore)</b>
Balance on 01/01/2009		0.44
<b>Less :</b>		
Used during the year	0.21	
Provision no longer required	0.03	
		<u>0.25</u>
		0.17
<b>Add :</b>		
Transferred from credit balances	0.01	
Formed during the year	0.34	
		<u>0.34</u>
<b>Balance on 31/12/2009</b>		<u>0.52</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

### 10 Affiliated companies

This item is made up as follows:-

	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
MEL Consumer Care Company.	2,228,511	1.89	619,092	0.55
Marico Middle East Company	10,717,526	9.09	10,793,250	9.56
Marico Limited company- India	322,315	0.27	789,095	0.70
	<u>13,268,352</u>	<u>11.26</u>	<u>12,201,437</u>	<u>10.81</u>

### 11 Suppliers and notes payable

This item is made up as follows:-

	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
Suppliers - Raw material	572,066	0.49	570,542	0.51
Suppliers - packing & packaging materials	919,651	0.78	—	—
	1,491,717	1.27	570,542	0.51
Notes payable	2,007,993	1.70	963,911	0.85
	<u>3,499,710</u>	<u>2.97</u>	<u>1,534,453</u>	<u>1.36</u>

### 12 Creditors and other credit accounts

This item is made up as follows:-

	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
Sundry creditors	204,139	0.17	968,703	0.86
Clients - Advance payments	487,526	0.41	635,177	0.56
Sales tax	614,179	0.52	524,552	0.46
Withholding tax	24,914	0.02	33,907	0.03
Salaries & wages tax	20,557	0.02	35,021	0.03
Stamp duty	4,375	0.00	—	—
Accrued expenses	2,051,611	1.74	875,271	0.78
Social Insurance Authority	17,000	0.01	11,765	0.01
	<u>3,424,301</u>	<u>2.91</u>	<u>3,084,396</u>	<u>2.73</u>

### 13. Capital

#### A- Authorized capital

The Company's authorized capital amounted to EGP 25 million (Twenty Five million Egyptian Pounds) distributed over 250000 shares the nominal value of each share is EGP 100 (One Hundred Egyptian Pounds).

#### B- Issued and paid up capital

- The issued capital was determined by EGP 6892000 (Six million and Eight hundred and Ninety Two Thousand Egyptian pounds) distributed over 68920 shares (Sixty Eight Thousand and Nine Hundred and Twenty Shares), the nominal value of each is EGP. 100 (One Hundred Egyptian Pounds) and all of which are nominal each shares which is fully paid, according to general authority for investment and free zones decision NO. 235/2 for year 2007 the company issued capital is determined by EGP 6892000 after excluding an amount of EGP 493 and being carried forward to the reserves.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

The issued and paid capital is distributed as follows:

Name	Nationality	Value of each shares EGP	No. of Shares	Amount Rs. Crore EGP	Amount Rs. Crore
Mr. Harshraj Charandas Mariwala	Indian	100	320	32,000	0.03
Mr. Milind Shripad Sarwate	Indian	100	320	32,000	0.03
Mr. Brajish Bajai	Indian	100	50	5,000	0.00
Marico Middle East, FZE	Emirates	100	68,230	6,823,000	5.79
		<u>400</u>	<u>68,920</u>	<u>6,892,000</u>	<u>5.85</u>

### 14 Deferred tax liabilities

This item is made up as follows:-

	Assets 31/12/2009 EGP	Liabilities 31/12/2009 EGP	Assets 31/12/2008 EGP	Liabilities 31/12/2008 EGP
Fixed assets	-	72,591	-	41,974
	<u>-</u>	<u>72,591</u>	<u>-</u>	<u>41,974</u>

### 15 Operating revenue

This item is made up as follows:-

	31/12/2009 EGP	31/12/2009 Rs. Crore	31/12/2008 EGP	31/12/2008 Rs. Crore
Operating revenue	40,716,211	34.54	64,675,959	57.29
Less:				
Trade discount	(16,243,715)	(13.78)	(29,824,231)	(26.42)
Cash discount	(2,548,546)	(2.16)	(1,062,083)	(0.94)
	<u>21,923,950</u>	<u>18.60</u>	<u>33,789,645</u>	<u>29.93</u>

### 16. Tax status

#### A - Corporate tax

The company enjoys tax exemption according to article No (16) of Law no. (8) for year 1997 and up to December 31, 2010.

The company was scrutinized from the beginning of its activity till year 1999 which resulted to zero liability.

Years from 2000 till 2004 was scrutinized and resulted to tax liability amounted to EGP 172349. the company objected to this amount and the argument has been transferred to internal committee.

#### B - Salaries & wages tax

The company was scrutinized for years 2003 and 2004 and all the tax have been settled.

The years 2004 till 2007 was scrutinized and resulted to tax liability amounted to EGP 23791 and has been fully paid.

The company pays the salary tax in regular basis through the quarterly salaries returns.

#### C- Stamp duty

The company was scrutinized from the start of operation till December 31, 2008 all the difference have been settled.

#### D- Sales tax

The company was scrutinized from the start of operation till December 31, 2007 and all the difference have been settled.

### 17 Comparison figures have been reclassified to confirm with current year classification.

# MARICO EGYPT FOR INDUSTRIES (SAE)

**Board of Directors**

Debashish Neogi

Aditya Shome

Ravin Mody

MELCC, represented by Vijay Subramaniam

**Registered Office**

New Salhya City - Industrial Zone, Sharqya

**Auditors**

Baker & Tilly

**Bankers**

HSBC Limited

NSGB Limited

**Legal Advisors**

Yasser Maharem Office for Accounting & Auditing

## INDEPENDENT AUDITOR'S REPORT

To: The shareholders of Marico Egypt For Industries (SAE)

### Report on the financial statement

We have audited the accompanying balance sheet of Marico Egypt For Industries (SAE) as of December 31, 2009 and the related statement of income, cash flows and changes in shareholder's equity for the year then ended and a summary of significant accounting policies and other explanatory Notes.

### Management's responsibility for the financial statements

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

### Auditors responsibility

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

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

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

### Opinion

In our opinion the financial statement present fairly in all material respects, the financial position of Marico Egypt For Industries (SAE) as of 31 December 2009 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 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 under their responsibility.

The financial information included in the board of directors' report in compliance with companies law no. 159 year 1981 and it's executive regulation and its agreement with the accounting record of the company to the extent that such information is recorded therein.

Cairo 17/02/2010

**Sherin Nouredin**

R.A.A. 6809

BAKER TILLY

Wahid Abdel Ghaffar & Co.

**BAKER TILLY**

WAHID ABDEL GHAFFAR & CO.

PUBLIC ACCOUNTANTS & CONSULTANTS

# MARICO EGYPT FOR INDUSTRIES (SAE)

## BALANCE SHEET

	Notes No.	As at December 31,			
		2009 EG.P	2008 EG.P	2009 Rs. Crore	2008 Rs. Crore
<b>Long Term Assets</b>					
Fixed Assets (Net)	(5)	3,370,498	3,408,650	2.86	3.02
<b>Total long term assets</b>		<b>3,370,498</b>	<b>3,408,650</b>	<b>2.86</b>	<b>3.02</b>
<b>Current assets</b>					
Inventory (Net)	(6)	5,129,456	4,548,754	4.35	4.03
Clients (Net)	(7)	14,150,320	9,339,618	12.01	8.27
Suppliers – advance payments		1,234,230	1,414,541	1.05	1.25
Debtors and other debit balances	(8)	626,987	2,418,354	0.53	2.14
Related Parties (Debit)	(9)	19,752,474	468,451	16.76	0.41
Cash and cash equivalents	(10)	14,333,011	13,931,267	12.16	12.34
<b>Total current assets</b>		<b>55,226,478</b>	<b>32,120,985</b>	<b>46.86</b>	<b>28.44</b>
<b>Current liabilities</b>					
Bank overdraft	(11)	2,871,398	86	2.44	–
Provisions	(12)	2,349,862	1,315,009	1.99	1.16
Related Parties (credit)	(13)	1,053,067	2,045,191	0.89	1.81
Suppliers and notes payable	(14)	5,903,239	4,139,819	5.01	3.67
Creditors and other credit accounts	(15)	5,191,218	5,855,189	4.40	5.19
<b>Total current liabilities</b>		<b>17,368,784</b>	<b>13,355,294</b>	<b>14.73</b>	<b>11.83</b>
<b>Working Capital</b>		<b>37,857,694</b>	<b>18,765,691</b>	<b>32.13</b>	<b>16.61</b>
<b>Total investment</b>		<b>41,228,192</b>	<b>22,174,341</b>	<b>34.99</b>	<b>19.63</b>
<b>Shareholder's Equity</b>					
Issued & fully Paid capital	(16)	12,287,690	12,287,690	10.42	10.88
Legal reserve	(17)	494,333	–	0.42	–
Retained Profits		9,392,318	–	7.97	–
Net Profit for the Year		19,053,851	9,886,651	16.17	8.76
<b>Total finance of working capital and long-term assets</b>		<b>41,228,192</b>	<b>22,174,341</b>	<b>34.98</b>	<b>19.64</b>

–The accompanying notes from (1) to (19) forms an internal part of these financial statements.

–Auditor's report attached.

**Mukesh Kriplani**  
Director

**Aditya Shome**  
Managing Director

**Sherin Nouredin**  
R.A.A. 6809  
BAKER TILLY  
Wahid Abdel Ghaffar & Co.

**BAKER TILLY**  
WAHID ABDEL GHAFFAR & CO.  
PUBLIC ACCOUNTANT & CONSULTANT

Note: The exchange rate used to convert EGP to Rs. 8.484 / EGP (Rs. 8.858 / EGP)



# MARICO EGYPT FOR INDUSTRIES (SAE)

## INCOME STATEMENT

	Notes	Year ended December 31,			
		2009 EGP	2008 EGP	2009 Rs. Crore	2008 Rs. Crore
Sales		83,168,681	71,699,231	70.56	63.51
<b>Less</b>					
Allowance		20,567,909	17,767,665	17.45	15.74
<b>Net Sales</b>		<b>62,600,772</b>	<b>53,931,566</b>	<b>53.11</b>	<b>47.77</b>
<b>Less</b>					
Cost of sales		27,004,518	25,939,314	22.91	22.97
<b>Gross profit</b>		<b>35,596,254</b>	<b>27,992,252</b>	<b>30.20</b>	<b>24.80</b>
<b>Less</b>					
Selling & distribution Expenses		7,713,566	7,281,483	6.54	6.45
Advertising expenses		6,449,516	3,307,541	5.47	2.93
General & administrative expenses		4,058,885	2,204,831	3.44	1.95
Depreciation of fixed assets		61,392	52,493	0.05	0.05
Provision for Claims	(12/1)	1,034,853	1,212,240	0.88	1.07
Provision for price decline		–	1,480,409	–	1.31
Royalty		638,271	2,736,474	0.54	2.42
		<b>19,956,483</b>	<b>18,275,471</b>	<b>16.92</b>	<b>16.18</b>
		<b>15,639,771</b>	<b>9,716,781</b>	<b>13.28</b>	<b>8.62</b>
<b>Add</b>					
Refund provision	(6/1)	1,637,009	–	1.39	–
Refund royalty provisions		1,630,395	–	1.38	–
Refund tax provision		–	34,256	–	0.03
Scrap revenues		85,075	110,273	0.07	0.10
Other income		54,274	–	0.05	–
Foreign exchange gains		7,327	25,341	0.01	0.02
<b>Net Profit for the year</b>		<b>19,053,851</b>	<b>9,886,651</b>	<b>16.17</b>	<b>8.77</b>

**Mukesh Kriplani**  
Director

**Aditya Shome**  
Managing Director

Note: The exchange rate used to convert EGP to Rs. 8.484 / EGP (Rs. 8.858 / EGP)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Description	Year ended December 31,				
	Issued and fully paid capital	Legal Reserves	Retained Profits (losses)	Profits for the year	Total
	EGP	EGP	EGP	EGP	EGP
Balance at 1/1/2009	12,287,690	–	–	9,886,651	22,174,341
Legal reserves of the year 2008	–	494,333	(494,333)	–	–
Closing retained profits	–	–	9,886,651	(9,886,651)	–
Profit of the year	–	–	–	19,053,851	19,053,851
<b>Balance at 31/12/2009</b>	<b>12,287,690</b>	<b>494,333</b>	<b>9,392,318</b>	<b>19,053,851</b>	<b>41,228,192</b>

## Statement of changes in shareholder's equity For the year ended December 31, 2009

Description	Year ended December 31, 2009				
	Issued and fully paid capital	Legal Reserves	Retained Profits (losses)	Profits for the year	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Balance at 1/1/2009	10.88	–	–	8.76	19.64
Legal reserves of the year 2008	–	0.42	(0.42)	–	–
Closing retained profits	–	–	8.39	(8.39)	–
Profit of the year	–	–	–	16.17	16.17
<b>Balance at 31/12/2009</b>	<b>10.42</b>	<b>0.42</b>	<b>7.97</b>	<b>16.17</b>	<b>34.98</b>

Mukesh Kriplani  
Director

Aditya Shome  
Managing Director

Note: The exchange rate used to convert EGP to Rs. 8.484 / EGP (Rs. 8.858 / EGP)

**CASH FLOW STATEMENT**

	Year ended December 31,			
	2009 EGP	2009 Rs. Crore	2008 EGP	2008 Rs. Crore
<b>Cash flow from operating activities</b>				
Net profit from income statement	19,053,851	16.17	9,886,651	8.76
<b>Adjustments to reconcile net profit with net cash provided by operating activities</b>				
Depreciation	536,209	0.45	377,080	0.33
(Increase) in provision for Prices Decline	–	–	1,480,409	1.31
Decrease in Provision for Claims	–	–	670,844	0.59
Refund tax provision	–	–	(34,256)	(0.03)
(Increase) in inventory	(580,702)	(0.49)	(2,108,351)	(1.87)
(Increase) in related parties (debit)	(19,284,023)	(16.36)	(468,451)	(0.41)
(Increase) in Clients	(4,810,702)	(4.08)	(2,746,639)	(2.43)
(Decrease) in letter of credit	–	–	203,738	0.18
Decrease (Increase) in advance to suppliers	180,311	0.15	(282,824)	(0.25)
Decrease (Increase) in debtors and other debit accounts	1,791,367	1.52	(1,761,606)	(1.56)
Increase (Decrease) in bank overdraft	2,871,312	2.44	(965,461)	(0.86)
Increase in provisions	1,034,852	0.88	–	–
(Decrease) in related parties (Credit)	(992,124)	(0.84)	(2,014,060)	(1.78)
Increase (Decrease) in suppliers & notes payable	1,763,420	1.50	(2,788,760)	(2.47)
(Decrease) in creditors and other credit accounts	(663,971)	(0.56)	(1,347,601)	(1.19)
<b>Net cash flow (used in) operating activities</b>	<b>899,800</b>	<b>0.76</b>	<b>(1,899,287)</b>	<b>(1.68)</b>
<b>Cash flows from investment activities</b>				
Received from Sale of Fixed assets	1,693	–	–	–
(Payment) for Purchase of fixed assets	(499,749)	(0.42)	(306,150)	(0.27)
<b>Net cash flow (used in) investment activities</b>	<b>(498,056)</b>	<b>(0.42)</b>	<b>(306,150)</b>	<b>(0.27)</b>
<b>Net cash resulting during the year</b>	<b>401,744</b>	<b>0.34</b>	<b>(2,205,437)</b>	<b>(1.95)</b>
Cash and cash equivalents at the beginning of the year	13,931,267	11.82	16,136,704	14.29
<b>Cash and cash equivalents in the end of the year</b>	<b>14,333,011</b>	<b>12.16</b>	<b>13,931,267</b>	<b>12.34</b>

**Mukesh Kriplani**  
Director

**Aditya Shome**  
Managing Director

Note: The exchange rate used to convert EGP to Rs. 8.484 / EGP (Rs. 8.858 / EGP)

## NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial Statements as of 31 Dec., 2009

### (1) The Company :

The Company was incorporated as "Simple partnership" according to the law No 8 year 1997 of Investment Guarantees and its implementing regulations and was registered in the commercial register under No 79585 date 26/2/1998 and issued tax card No 253/54/5 under the name Pyramids for Industries Company,

The articles was amended according to the decree of chairman of the general authority for investment and free zones No 161/P year 2006 approving the amendment of article No (5) according to the decision of the partners meeting which was held on 13/12/2006 and the adoption of the draft amendment dated 28/12/2006 which was ratified in public notary office on 9/1/2007 under ratification No 15 year 2007 to change the name of the company to MEL Co. for Consumer Care Products & Partners "Pyramids Modern Industries (PMI) "General Partnership Co."

According to the decision of chairman of general authority for investment and free zones No.2/532 year 2009 and the contract to change the company from general partnership Co. to joint - stock company according to the law No 8 year 1997 and change the name of the company to Marico Egypt For Industries (SAE).

### (2) 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.

### (3) Significant Accounting Policies :

#### 3-1- Unholding accounting standards and legal principles :-

The accompanying financials statements have been prepared in accordance with Egyptian accounting standards and the related Egyptian laws and regulation in the light of the international financial reporting standards to process cases weren't stated in the Egyptian standards.

#### 3-2- 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.

#### 3-3- Change in accounting principles :-

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

#### 3-4- 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.

#### 3-5- Depreciation of fixed assets :-

##### *Recognition and preliminary measurement*

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

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

##### *The Deprecation*

Fixed assets are shown in the balance sheet at historical cost and according to estimated useful life of each asset in accordance with the following rates.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 Dec., 2009

- Building and construction	5%	Straight line method
- Machinery	12.50%	Declining method
- Lab Equipments	25%	Declining method
- Computers	50%	Declining method
- Furniture and office Equipment	25%	Declining method

**3-6- Investment in Subsidiary and Affiliated Companies**

Subsidiary and affiliated companies are companies that are under the control of the Company. Such control is achieved when the Company is in control of the financial and operations 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 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 books 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.

**3-7- Accounting for Long Term Investments**

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

**3-8- Valuation of Available for Financial Investments**

It is valued at the end of the financial year with the fair value that reflects the market value and the differences in valuation are reflected in the income statement. Valuation of investments that has lost one of the conditions of its classification as financial notes for sale with its book value while reducing this valuation in case of a reduction in it following an objectives study including the latest financial statements of the company that issued these notes. The differences in valuation will be reflected in the income statement.

**3-9- 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.

**3-10- 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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2009

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.

### 3-11-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 objectives proofs that the impairment of the value was due to an incident or more after the initial realization of the asset and that such incident or incidents had an affect that can be evaluated in a reliable manner for the expected future cash flow from the asset. In the case of financial assets that are recorded according to their amortized cost impairment, the loss due to impairment of its value between the book value of such asset and the present value of the future cash flow that has been discounted by the original actual interest rate relating to this asset.

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

### 3-12-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.

### 3-13-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.

### 3-14-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 Direclors 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 Dec., 2009

**3-15-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.

**3-16-Accounting Estimates**

According to Egyptian accounting standards the preparation of the financial statement requires the management to make some approximations and predictions that affect the value of assets, obligation, income and expenses during the financial year. The actual amounts could be quite different from these predictions.

**3-17-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.

**3-18-Legal Reserve**

According to Law No.159 year 1981, its executive directives and the constitution of the Company, there should a legal reserve of no less than 5% of the profit of the Company and such reserve should not be increased once this reserve amount reaches 5% of the Company's issued share capital.

**3-19-Cash Flows Statement**

The cash flow statement will be prepared according to the indirect method.

**3-20-Cash on Hand & at Banks**

For the purpose of the cash flows statement, cash and cash equivalents are to be considered cash on hand and at banks, short term fixed deposits, cheques under collection and letters of guarantee cover, if any.

**3-21-Comparative Figures**

Comparative figures are reclassified whenever it is necessary to amend the presentation used during presentation used during the current period.

**(4) 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.

**4-1- Debtors**

Debtors balances are booked as per their actual value after deducting the appropriate provision for the amounts that are not expected to be collected.

**4-2- Creditors**

Creditors balances are recorded as per their actual value.

**(5) Fixed Assets (Net) :**

Represents net fixed assets as at December 31, 2009 amount EGP 3370498 as follows :-

Description	Land	Building	Computers	Machinery	Equipment	Furniture and Office Equipments	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost at 1/1/2009	199,530	1,606,535	88,399	1,514,043	96,383	64,414	3,569,304
Additions during the year	-	-	-	488,150	-	11,599	499,749
Disposals	-	-	-	(600)	-	(1,093)	(1,693)
<b>Cost at 31/12/2009</b>	<b>199,530</b>	<b>1,606,535</b>	<b>88,399</b>	<b>2,001,593</b>	<b>96,383</b>	<b>74,920</b>	<b>4,067,360</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 Dec., 2009

Description	Land	Building	Computers	Machinery	Equipment	Furniture and Office Equipments	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Acc. Depreciation at 1/1/2009	–	160,653	–	–	–	–	160,653
Depreciation for the year	–	80,327	44,200	370,395	24,095	17,192	536,209
Acc. Depreciation at 31/12/2009	–	<b>240,980</b>	<b>44,200</b>	<b>370,395</b>	<b>24,095</b>	<b>17,192</b>	<b>696,862</b>
<b>Net fixed assets at 31/12/2009</b>	<b>199,530</b>	<b>1,365,555</b>	<b>44,199</b>	<b>1,631,198</b>	<b>72,288</b>	<b>57,728</b>	<b>3,370,498</b>
<b>Net fixed assets at 31/12/2008</b>	<b>199,530</b>	<b>1,445,882</b>	<b>88,399</b>	<b>1,514,043</b>	<b>96,383</b>	<b>64,414</b>	<b>3,408,651</b>

Description	Land	Building	Computers	Machinery	Equipment	Furniture and Office Equipments	Total
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Cost at 1/1/2009	0.17	1.36	0.07	1.28	0.08	0.05	3.06
Additions during the year	–	–	–	0.41	–	0.01	0.42
Disposals	–	–	–	–	–	–	–
<b>Cost at 31/12/2009</b>	<b>0.17</b>	<b>1.36</b>	<b>0.07</b>	<b>1.69</b>	<b>0.08</b>	<b>0.06</b>	<b>3.45</b>
Acc. Depreciation at 1/1/2009	–	0.14	–	–	–	–	0.14
Depreciation for the year	–	0.07	0.04	0.31	0.02	0.01	0.45
Acc. Depreciation at 31/12/2009	–	<b>0.20</b>	<b>0.04</b>	<b>0.31</b>	<b>0.02</b>	<b>0.01</b>	<b>0.59</b>
<b>Net fixed assets at 31/12/2009</b>	<b>0.17</b>	<b>1.16</b>	<b>0.04</b>	<b>1.38</b>	<b>0.06</b>	<b>0.05</b>	<b>2.86</b>
<b>Net fixed assets at 31/12/2008</b>	<b>0.18</b>	<b>1.28</b>	<b>0.07</b>	<b>1.34</b>	<b>0.09</b>	<b>0.06</b>	<b>3.02</b>

The depreciation was charged as follows : –

Description	Charged to Cost of Sales	Charged to Income Statement	Total
	EGP	EGP	EGP
Building	80,327	–	80,327
Computer & Programs	–	44,200	44,200
Machinery	370,395	–	370,395
Equipments	24,095	–	24,095
Furniture and offices equipments	–	17,192	17,192
<b>Total</b>	<b>474,817</b>	<b>61,392</b>	<b>536,209</b>

Description	Charged to Cost of Sales	Charged to Income Statement	Total
	Rs. Crore	Rs. Crore	Rs. Crore
Building	0.07	–	0.07
Computer & Programs	–	0.04	0.04
Machinery	0.31	–	0.31
Equipments	0.02	–	0.02
Furniture and offices equipments	–	0.01	0.01
<b>Total</b>	<b>0.40</b>	<b>0.05</b>	<b>0.45</b>



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 Dec., 2009

**(6) Inventory (Net) :**

Inventory at 31/12/2009 amount EGP 5129456 According to the books of the company as follows :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Goods under operating	107,476	–	0.09	–
Raw materials	2,438,805	2,578,644	2.07	2.28
Packing & Packaging materials	2,101,638	1,773,892	1.78	1.57
Finished goods	481,537	1,833,227	0.41	1.62
	<b>5,129,456</b>	<b>6,185,763</b>	<b>4.35</b>	<b>5.47</b>

**Less**

Provision for price decrease (6/1)	–	1,637,009	–	1.45
	<b>5,129,456</b>	<b>4,548,754</b>	<b>4.35</b>	<b>4.02</b>

(6/1) Provision for Price Decline :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Balance at 1/1/2009	1,637,009	156,600	1.39	0.14
<b>(Less) / Add</b>				
Refund provision	(1,637,009)	1,480,409	(1.39)	1.31
<b>Balance at 31/12/2009</b>	<b>–</b>	<b>1,637,009</b>	<b>–</b>	<b>1.45</b>

**(7) Clients :**

This item is made up as follows :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2008 Rs. Crore	31/12/2008 Rs. Crore
<b>Local Clients</b>				
Pyramids cosmetics Co.	13,562,181	9,324,886	11.51	8.26
Elgazaar Company	9,703	–	0.01	–
	<b>13,571,884</b>	<b>9,324,886</b>	<b>11.52</b>	<b>8.26</b>
<b>Foreign Clients</b>				
Marico India Company	578,436	14,732	0.49	0.01
	<b>14,150,320</b>	<b>9,339,618</b>	<b>12.01</b>	<b>8.27</b>

**(8) Debtors and other debit accounts :**

This item is made up as follows :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Debtors	35,271	30,977	0.03	0.03
Sales tax authority	474,144	2,071,146	0.40	1.83
Imprests	14,119	151,680	0.01	0.13
Prepaid expenses	–	111,901	–	0.10

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 Dec., 2009

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Worker's fund box	–	1,884	–	–
Customs Advance payments	87,853	39,766	0.07	0.04
Rent deposit	15,600	11,000	0.01	0.01
	<b>626,987</b>	<b>2,418,354</b>	<b>0.52</b>	<b>2.14</b>
<b>(9) Related Parties (debit) :</b>				
This item is made up as follows :-	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
MEL company for consumer care products SAE	19,752,474	468,451	16.76	0.41
	<b>19,752,474</b>	<b>468,451</b>	<b>16.76</b>	<b>0.41</b>
<b>(10) Cash and cash equivalent :</b>				
This item is made up as follows :-	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Bank current accounts – local currency	8,107	10,353	0.01	0.01
Bank current accounts – foreign currency	3,894	22,750	–	0.02
Cash on hand	225	21,019	–	0.02
Cheques under collection	13,062,075	13,877,145	11.08	12.29
Letter of Credit	1,258,710	–	1.07	–
	<b>14,333,011</b>	<b>13,931,267</b>	<b>12.16</b>	<b>12.34</b>
Cheques under collection deposited in H.S.B.C Bank at amount EGP 900,000 and in NSGB Bank at amount EGP 12,162,075				
<b>(11) Bank Over draft :</b>				
This item is made up as follows :-	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
NSGB bank	1,413,608	–	1.20	–
NSGB bank – LC	1,454,142	–	1.23	–
HSBC bank	3,648	–	–	–
Barclays bank	–	86	–	–
	<b>2,871,398</b>	<b>86</b>	<b>2.43</b>	<b>–</b>
<b>(12) Provisions :</b>				
This item is made up as follows :-	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Provision for claims (12/1)	2,247,093	1,212,240	1.91	1.07
Tax provisions	102,769	102,769	0.09	0.09
	<b>2,349,862</b>	<b>1,315,009</b>	<b>2.00</b>	<b>1.16</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 Dec., 2009

(12/1) Provisions for claims :

This item is made up as follows :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Balance at 1/1/2009	1,212,240	435,000	1.03	0.39
<b>Less:</b>				
used provisions during the year	—	—	—	—
	<u>1,212,240</u>	<u>435,000</u>	<u>1.03</u>	<u>0.39</u>
<b>Add:</b>				
Provision during the year	1,034,853	777,240	0.88	0.69
	<u><b>2,247,093</b></u>	<u><b>1,212,240</b></u>	<u><b>1.91</b></u>	<u><b>1.08</b></u>

**(13) Related Parties (Credit) :**

This item is made up as follows :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Marico India Company	1,053,067	2,045,191	0.89	1.81
	<u><b>1,053,067</b></u>	<u><b>2,045,191</b></u>	<u><b>0.89</b></u>	<u><b>1.81</b></u>

**(14) Suppliers and notes payable :**

This item is made up as follows :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Suppliers	2,644,835	1,118,515	2.24	0.99
Notes payable	3,258,404	3,021,304	2.76	2.68
	<u><b>5,903,239</b></u>	<u><b>4,139,819</b></u>	<u><b>5.00</b></u>	<u><b>3.67</b></u>

**(15) Creditors and other credit balances :**

This item is made up as follows :-

	31/12/2009 EGP	31/12/2008 EGP	31/12/2009 Rs. Crore	31/12/2008 Rs. Crore
Foreigners salaries	378,586	—	0.32	—
Pyramids cosmetics Co.	—	1,391,460	—	1.23
Withholding tax	47,962	39,727	0.04	0.04
Salary & wages tax	24,171	17,714	0.02	0.02
Sales tax	2,786,897	4,195,412	2.36	3.72
Stamp duty tax	—	98,508	—	0.09
Social Insurance	13,502	53,568	0.01	0.05
Accrued expenses	1,940,100	58,800	1.65	0.05
	<u><b>5,191,218</b></u>	<u><b>5,855,189</b></u>	<u><b>4.40</b></u>	<u><b>5.20</b></u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 Dec., 2009

**(16) Issued and fully paid capital :**

The company's authorized capital is EGP 20,000,000 (Twenty million Egyptian pounds) and the issued capital is EGP 12,287,690 (Twelve million two hundred eighty seven thousand and six hundred ninety Egyptian pounds) distributed into 1,228,769 shares, the value of each share is EGP 10 distributed among the shareholders as follows:-

<b>Name</b>	<b>Nationality</b>	<b>Amount of share</b>	<b>Share EGP</b>	<b>Share Rs. Crore</b>
MEL Co. for Consumer Care Products SAE & according to law No 159/1981 and it's Represented by Mr/Ravin mody	SAE	1,216,481	12,164,810	10.32
Mr. BRIJESH BAJPAI	Indian	6,144	61,440	0.05
Mr. RAVIN MODY	Indian	6,144	61,440	0.05
<b>Total</b>		<b>1,228,769</b>	<b>12,287,690</b>	<b>10.42</b>

**(17) Legal reserves :-**

We calculate 5% from retained profits which amounted EGP 9,886,654 and this according to article No.(44) from law No.159 year 1981 and it's amendments and also according to article No.(55) from Company contract and it's amounted EGP 494,333.

**(18) Taxation :**

First : Corporate Tax:-

The company enjoys tax exemption from 1/1/2007 till 31/12/2016 according to company tax card.

Second : Sales Tax

The books of the company was scrutinized for the period ending 31/12/2008 and the company informed from Sales Tax Authority with form no. 15 without any obligation on the company.

**(19) Comparison figures have been reclassified to confirm with current year classification.**

**Mukesh Kriplani**  
Director

**Aditya Shome**  
Managing Director

# MARICO SOUTH AFRICA CONSUMER CARE (PROPRIETARY) LIMITED

**Board of Directors**

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

Padmanabh Maydeo

John Richard Mason

Noel Colin Kersley Vinay

**Registered Office**

1474 South Coast Road

Mobeni 4052

**Factory**

1474 South Coast Road

Mobeni 4052

**Auditors**

Deloitte & Touche

**Bankers**

Standard Bank of South Africa Ltd

**Legal Advisors**

Adams & Adams - Patent and Trademark Attorneys

Deneys Reitz, Commercial attorneys

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors are responsible for the maintenance of adequate accounting records and for the preparation and integrity of the annual financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Company's and group independent external auditors have audited the financial statements and their report appears on page 2.

The directors are also responsible for the Company's system of internal control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability for assets, to record all liabilities, and to prevent and detect misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for the foreseeable future.

### **DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements and group annual financial statements for the period ended 31 March 2010 as set out on pages 3 to 28 were approved by the directors on 25 June 2010 and are signed on its behalf by:

**NCK Vinay**  
Financial Director

**PS Maydeo**  
Operations Director

**JR Mason**  
Managing Director

## **INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBER OF MARICO SOUTH AFRICA CONSUMER CARE (PROPRIETARY) LIMITED**

### **Report on the Financial Statements**

We have audited the annual financial statements and group annual financial statements of Marico South Africa Consumer Care (Proprietary) Limited which comprise the directors' report, the statement of financial position as at 31 March 2010, the statement of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 28.

### **Directors' Responsibility for the Financial Statements**

The director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. 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 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 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 present fairly, in all material respects, the financial position of the Company and Group as at 31 March 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

### **Deloitte & Touche**

Per M Luthuli

Registered Auditor

Date : 25 June, 2010

## **DIRECTORS' REPORT**

**31 March 2010**

The directors have pleasure in presenting their report which forms part of the financial statements of Marico South Africa Consumer Care (Proprietary) Limited ("the Company") as well as the group financial statements which includes the financial results of Marico South Africa (Proprietary) Limited and CPF International (Proprietary) Limited, for the year ended 31 March 2010.

### **NATURE OF BUSINESS**

The Company is an investment holding company with an interest in Marico South Africa (Proprietary) Ltd. which manufactures and distributes a wide range of personal care and affordable complementary health care products and CPF International (Proprietary) Limited which is currently a dormant company.

### **GENERAL REVIEW**

Marico South Africa Consumer Care (Proprietary) Limited was incorporated on 6 September 2007 to act as an investment holding company in South Africa for its holding company, Marico Limited which is incorporated in India. The Company subsequently purchased the entire share capital of Marico South Africa (Proprietary) Limited effective on the 31 October 2007. Marico South Africa (Proprietary) Limited holds 100% of the issued share capital of CPF International (Proprietary) Limited.

As the Company is the ultimate South African parent, consolidated financial statements have also been presented which include the financial results of Marico South Africa (Proprietary) Limited and CPF International (Proprietary) Limited ("the Group").

### **DIVIDENDS**

No dividends were paid, declared or recommended during the current or prior year.

### **SHARE CAPITAL**

There have been no changes to the Company's authorised or issued share capital during the year.

### **SUBSEQUENT EVENTS**

The directors are not aware of any matters or circumstances which are material to the financial affairs of the Company or the Group which have occurred between the balance sheet date and the date of approval of the financial statements that have not been otherwise dealt with in the financial statements.

### **GOING CONCERN**

The Company generated a net loss for the year of R482 770 (2009: net profit of R8 303 111). At 31 March 2010 the Company's total assets exceeded its total liabilities by R40 815 584(2009: R41 298 354).

The Group generated a net loss for the year of R4 364 110 (2009: net profit of R8 470 041). At 31 March 2010 the Group's total assets exceeded its total liabilities by R37 937 256 (2009: R42 301 366).

The Company has no external debt apart from its loan from the holding company. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

The Company has subordinated its loan to Marico South Africa (Proprietary) Limited of R5 5852421

### **DIRECTOR'S EMOLUMENTS**

No amounts were paid to directors at Company level. Refer to note 19 for details of directors' emoluments at Group level.

### **HOLDING COMPANY**

Marico Limited holds 100% of the Company's issued share capital. Marico Limited is incorporated in India.

### **SUBSIDIARY**

The Company holds 100% of the issued share capital of Marico South Africa (Proprietary) Limited.

### **INTER-COMPANY BALANCES**

Refer to note 17 for details of the terms and conditions of the balances outstanding from and to the holding company, fellow subsidiaries and subsidiaries.



**BALANCE SHEET**

As at March 31, 2010

	Note	Group				Company			
		ZAR 2010	ZAR 2009	Rs. Crore 2010	Rs. Crore 2009	ZAR 2010	ZAR 2009	Rs. Crore 2010	Rs. Crore 2009
<b>ASSETS</b>									
<b>Non-current assets</b>		<b>84,370,618</b>	<b>83,063,736</b>	<b>52.02</b>	<b>44.35</b>	<b>101,337,976</b>	<b>100,983,105</b>	<b>62.48</b>	<b>53.91</b>
Property, plant and equipment	2	5,375,508	5,145,854	3.31	2.75	–	–	–	–
Intangible assets	3	33,330,489	35,330,489	20.55	18.86	–	–	–	–
Investment in subsidiary	4	–	–	–	–	45,485,555	100,983,105	28.05	53.91
Deferred taxation	5	7,977,798	4,900,570	4.92	2.62	–	–	–	–
Goodwill	6	37,686,823	37,686,823	23.24	20.12	–	–	–	–
Amount due from subsidiary	4	–	–	–	–	55,852,421	–	34.44	–
<b>Current assets</b>		<b>34,076,960</b>	<b>38,553,101</b>	<b>21.01</b>	<b>20.58</b>	<b>680,861</b>	<b>1,041,535</b>	<b>0.42</b>	<b>0.56</b>
Trade and other receivables	7	18,197,007	15,338,410	11.22	8.19	–	–	–	–
Inventories	8	12,275,036	10,561,583	7.57	5.64	–	–	–	–
Cash and cash equivalents		3,604,917	12,653,108	2.22	6.76	680,861	1,041,535	0.42	0.56
<b>Total Assets</b>		<b>118,447,578</b>	<b>121,616,837</b>	<b>73.03</b>	<b>64.93</b>	<b>102,018,837</b>	<b>102,024,640</b>	<b>62.90</b>	<b>54.47</b>
<b>EQUITY AND LIABILITIES</b>									
<b>EQUITY</b>									
Share capital and reserves		<b>37,937,256</b>	<b>42,301,366</b>	<b>23.39</b>	<b>22.58</b>	<b>40,815,584</b>	<b>41,298,354</b>	<b>25.17</b>	<b>22.05</b>
Share capital	9	800	800	–	–	800	800	–	–
Share premium	9	43,799,900	43,799,900	27.01	23.38	43,799,900	43,799,900	27.01	23.38
Accumulated loss		(5,863,444)	(1,499,334)	(3.62)	(0.80)	(2,985,116)	(2,502,346)	(1.84)	(1.34)
<b>LIABILITIES</b>									
<b>Non-current liabilities</b>									
Amounts due to holding company	12	61,183,253	60,641,286	37.73	32.38	61,183,253	60,641,286	37.73	32.38
<b>Current liabilities</b>		<b>19,327,069</b>	<b>18,674,185</b>	<b>11.92</b>	<b>9.97</b>	<b>20,000</b>	<b>85,000</b>	<b>0.01</b>	<b>0.04</b>
Trade and other payables	10	17,729,464	17,168,923	10.93	9.17	20,000	85,000	0.01	0.05
Provisions	11	1,597,605	1,505,262	0.99	0.80	–	–	–	–
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>118,447,578</b>	<b>121,616,837</b>	<b>73.03</b>	<b>64.93</b>	<b>102,018,837</b>	<b>102,024,640</b>	<b>62.90</b>	<b>54.47</b>

**NCK Vinay**  
Financial Director

**PS Maydeo**  
Operations Director

**JR Mason**  
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.166 / ZAR (Rs. 5.339 / ZAR)

**INCOME STATEMENT**

Year ended March 31, 2010

	Note	Group				Company			
		ZAR 2010	ZAR 2009	Rs. Crore 2010	Rs. Crore 2009	ZAR 2010	ZAR 2009	Rs. Crore 2010	Rs. Crore 2009
Revenue		104,834,062	91,346,486	64.64	48.77	-	-	-	-
Cost of sales		(50,988,489)	(47,337,569)	(31.44)	(25.27)	-	-	-	-
<b>Gross profit</b>		<b>53,845,573</b>	<b>44,008,917</b>	<b>33.20</b>	<b>23.50</b>	-	-	-	-
Selling and distribution costs		(26,127,536)	(19,783,303)	(16.11)	(10.56)	-	-	-	-
Administration costs		(25,863,510)	(20,965,753)	(15.95)	(11.19)	(27,669)	(65,703)	(0.02)	(0.04)
Other operating expenses		(3,308,907)	(1,229,445)	(2.04)	(0.66)	-	-	-	-
Other income		62,200	9,716,355	0.04	5.19	62,200	8,843,915	0.04	4.72
<b>(Loss)/ Profit before finance costs</b>	13	<b>(1,392,180)</b>	<b>11,746,771</b>	<b>(0.86)</b>	<b>6.27</b>	<b>34,531</b>	<b>8,778,212</b>	<b>0.02</b>	<b>4.69</b>
<b>Net finance costs</b>	14	<b>(6,049,158)</b>	<b>(2,349,312)</b>	<b>(3.73)</b>	<b>(1.25)</b>	<b>(517,301)</b>	<b>(475,101)</b>	<b>(0.32)</b>	<b>(0.25)</b>
Finance costs		(6,350,599)	(3,682,141)	(3.92)	(1.97)	(6,350,599)	(3,682,141)	(3.92)	(1.97)
Finance income		301,441	1,332,829	0.19	0.71	5,833,298	3,207,040	3.60	1.71
<b>(loss)/ profit before taxation</b>		<b>(7,441,338)</b>	<b>9,397,459</b>	<b>(4.59)</b>	<b>5.02</b>	<b>(482,770)</b>	<b>8,303,111</b>	<b>(0.30)</b>	<b>4.43</b>
Income taxation	15	3,077,228	(927,418)	1.90	(0.50)	-	-	-	-
<b>(loss)/profit for the period</b>		<b>(4,364,110)</b>	<b>8,470,041</b>	<b>(2.69)</b>	<b>4.52</b>	<b>(482,770)</b>	<b>8,303,111</b>	<b>(0.30)</b>	<b>4.43</b>
Other Comprehensive income		-	-	-	-	-	-	-	-
<b>Total Comprehensive (loss)/income</b>		<b>(4,364,110)</b>	<b>8,470,041</b>	<b>(2.69)</b>	<b>4.52</b>	<b>(482,770)</b>	<b>8,303,111</b>	<b>(0.30)</b>	<b>4.43</b>

**NCK Vinay**  
Financial Director

**PS Maydeo**  
Operations Director

**JR Mason**  
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.166 / ZAR (Rs. 5.339 / ZAR)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Year ended March 31, 2010							
	Share capital	Share premium	Accumulated (loss)/profit	Total	Share capital	Share premium	Accumulated (loss)/profit	Total
	ZAR	ZAR	ZAR	ZAR	Rs.Crore	Rs.Crore	Rs.Crore	Rs.Crore
<b>Group</b>								
Balance at 31 March 2008	800	43,799,900	(9,969,375)	33,831,325	-	21.53	(4.90)	16.63
Total comprehensive income	-	-	8,470,041	8,470,041	-	-	4.52	4.52
Balance at 31 March 2009	800	43,799,900	(1,499,334)	42,301,366	-	23.38	(0.80)	22.58
Total comprehensive loss	-	-	(4,364,110)	(4,364,110)	-	-	(2.69)	(2.69)
Balance at 31 March 2010	800	43,799,900	(5,863,444)	37,937,256	-	27.01	(3.62)	23.39
<b>Company</b>								
Balance at 31 March 2008	800	43,799,900	(10,805,457)	32,995,243	-	21.53	(5.31)	16.22
Total comprehensive income	-	-	8,303,111	8,303,111	-	-	4.43	4.43
Balance at 31 March 2009	800	43,799,900	(2,502,346)	41,298,354	-	23.38	(1.34)	22.05
Total comprehensive loss	-	-	(482,770)	(482,770)	-	-	(0.30)	(0.30)
Balance at 31 March 2010	800	43,799,900	(2,985,116)	40,815,584	0.00	27.01	(1.84)	25.17

**NCK Vinay**  
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**CASH FLOW STATEMENT**

Year ended March 31, 2010

	Note	Group				Company			
		ZAR 2010	ZAR 2009	Rs. Crore 2010	Rs. Crore 2009	ZAR 2010	ZAR 2009	Rs. Crore 2010	Rs. Crore 2009
<b>Cash generated/ (utilised) by operations</b>	A	(2,008,561)	4,170,628	(1.24)	2.23	(30,469)	(5,703)	(0.02)	(0.00)
Finance costs paid		(5,995,719)	(3,682,141)	(3.70)	(1.97)	(6,350,599)	(3,682,141)	(3.92)	(1.97)
Other finance income received		301,441	1,332,829	0.19	0.71	5,833,298	3,207,040	3.60	1.71
<b>Net cash inflow/ (outflow) from operating activities</b>		<u>(7,702,839)</u>	<u>1,821,316</u>	<u>(4.75)</u>	<u>0.97</u>	<u>(547,770)</u>	<u>(480,804)</u>	<u>(0.34)</u>	<u>(0.26)</u>
Cash flows from investing activities									
Decrease/ (increase) in loans receivable		(354,871)	–	(0.22)	–	(354,871)	2,719,946	(0.22)	1.45
Investment in subsidiary		–	11,578,452	–	6.18	–	(2,121,548)	–	(1.13)
Additions to property, plant and equipment		(1,897,668)	(1,659,159)	(1.17)	(0.89)	–	–	–	–
Purchase of intangible assets		–	(13,765,610)	–	(7.35)	–	–	–	–
Proceeds on disposal of property, plant and equipment		10,349	26,898	0.01	0.01	–	–	–	–
<b>Net cash outflow from investing activities</b>		<u>(2,242,190)</u>	<u>(3,819,419)</u>	<u>(1.38)</u>	<u>(2.04)</u>	<u>(354,871)</u>	<u>598,398</u>	<u>(0.22)</u>	<u>0.32</u>
Cash flows from financing activities									
(Decrease)/increase in shareholder's loans		896,838	(869,036)	0.55	(0.46)	541,967	(869,036)	0.33	(0.46)
<b>Net cash inflow from financing activities</b>		<u>896,838</u>	<u>(869,036)</u>	<u>0.55</u>	<u>(0.46)</u>	<u>541,967</u>	<u>(869,036)</u>	<u>0.33</u>	<u>(0.46)</u>
Net increase in cash and cash equivalents		(9,048,191)	(2,867,139)	(5.58)	(1.53)	(360,674)	(751,442)	(0.22)	(0.40)
Cash and cash equivalents at beginning of year		12,653,108	15,520,247	7.80	8.29	1,041,535	1,792,977	0.64	0.96
<b>Cash and cash equivalents at end of year</b>		<u>3,604,917</u>	<u>12,653,108</u>	<u>2.22</u>	<u>6.76</u>	<u>680,861</u>	<u>1,041,535</u>	<u>0.42</u>	<u>0.56</u>

**NCK Vinay**  
Financial Director

**PS Maydeo**  
Operations Director

**JR Mason**  
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.166 / ZAR (Rs. 5.339 / ZAR)

**NOTES TO THE CASH FLOW STATEMENT**

For the year ended 31 March 2009

Year ended March 31, 2010

	ZAR		Group		ZAR		Company	
	2010	2009	Rs. Crore	Rs. Crore	2010	2009	Rs. Crore	Rs. Crore
			2010	2009			2010	2009
<b>A. CASH GENERATED/ (UTILISED) BY OPERATIONS</b>								
Profit/(loss) before taxation	(7,441,336)	9,397,459	(4.59)	5.02	(482,770)	8,303,111	(0.30)	4.43
Adjustments for:								
Foreign exchange losses	–	(8,843,915)	–	(4.72)	–	(8,843,915)	–	(4.72)
Depreciation	1,254,542	1,192,989	0.77	0.64	–	–	–	–
Asset write off	12,878	9,356	0.01	0.00	–	–	–	–
Loss on sale of assets	96,412	26,521	0.06	0.01	–	–	–	–
Finance income	(301,441)	(1,332,829)	(0.19)	(0.71)	(5,833,298)	(3,207,040)	(3.60)	(1.71)
Finance costs	6,350,599	3,682,141	3.92	1.97	6,350,599	3,682,141	3.92	1.97
Increase in provisions	92,343	746,422	0.06	0.40	–	–	–	–
Impairments	2,000,000	–	1.23	–	–	–	–	–
Income write backs	(61,049)	–	(0.04)	–	–	–	–	–
Operating profit before working capital changes	2,002,948	4,878,144	1.24	2.60	34,531	(65,703)	0.02	(0.04)
Increase in trade and other receivables	(2,858,597)	(2,556,637)	(1.76)	(1.36)	–	–	–	–
Increase in inventories	(1,713,453)	(1,720,368)	(1.06)	(0.92)	–	–	–	–
Increase in trade and other payables and amount due to receiver of revenue	560,541	3,569,490	0.35	1.91	(65,000)	60,000	(0.04)	0.03
	<u>(2,008,561)</u>	<u>4,170,628</u>	<u>(1.24)</u>	<u>2.23</u>	<u>(30,469)</u>	<u>(5,703)</u>	<u>(0.02)</u>	<u>0.01</u>

**NCK Vinay**  
Financial Director

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**JR Mason**  
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.166 / ZAR (Rs. 5.339 / ZAR)

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2010

### 1 ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

The significant accounting policies are set out below. The accounting policies are consistent with the prior period.

During the current year, the company adopted the following accounting statement:

#### IAS 1 Presentation of Financial Statements

This statement requires the company to present all non-owner changes in equity (that is, 'comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It also requires the company to present a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement.

At the date of authorisation of the financial statements, the following statements and interpretations were issued but not yet effective:

#### New International Financial Reporting Interpretations:

IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

#### New International Financial Reporting Standards:

IFRS 9	Financial Instruments	1 January 2013
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#### Amended International Accounting Standards:

IFRS 2 Share-based Payment	Scope of IFRS 2 and revised IFRS 3	1 July 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
IFRS 8 Operating Segments	Disclosure of information about segment assets	1 January 2010
IAS 1 Presentation of Financial Statements	Current/non-current classification of convertible instruments	1 January 2010
IAS 7 Statement of Cash Flows	Classification of expenditures on unrecognised assets	1 January 2010
IAS 17 Leases	Classification of leases of land and buildings	1 January 2010
IAS 18 Revenue	Determining whether an entity is acting as a principal or as an agent	None-amendment to non-mandatory guidance
IAS 36 Impairment of Assets	Unit of accounting for goodwill impairment test	1 January 2010
IAS 38 Intangible Assets	Additional consequential amendments arising from revised IFRS3 Measuring the fair value of an intangible asset acquired in a business combination	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives. Scope exemption for business combination contracts Cash flow hedge accounting	1 January 2010  1 July 2009
IFRIC 9 Reassessment of Embedded Derivatives	Scope of IFRIC 9 and revised IFRS 3	1 July 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Amendment to the restriction on the entity the entity that can hold hedging instruments	1 July 2009

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2010

On 16 April 2009, the International Accounting Standards Board (IASB) issued its latest Standard, titled Improvements to IFRS's – a collection of amendments to International Financial Reporting Standards.

The company is in the process of evaluating the effect of these new standards and interpretations but they are not expected to have a significant impact on the Company's results and disclosures.

### 1.2 Revenue Recognition

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- \* The company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- \* The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- \* The amount of revenue can be measured reliably;
- \* It is probable that the economic benefits associated with the transaction will flow to the company; and
- \* The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest is recognised, in profit or loss, using the effective interest rate method.

### 1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Costs include cost incurred initially to acquire or an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Leashold Improvements	10 years
Plant and machinery	5-15 years
Motor vehicles	3.33 years
Office equipment	5 years
Furniture and fittings	10 years
Computer equipment	5 years

The depreciation charge for each period is recognised in profit or loss. Useful lives are assessed annually.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is recognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Gains and losses on disposals are determined by reference to their carrying amount and recognised in profit or loss.

### 1.4 Intangible assets

The useful lives of all intangible assets acquired by the Company are assessed to determine if the useful life is finite or indefinite. Useful lives of intangible assets are reviewed at least at the end of each financial period and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charge for the current and future periods.

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2010

Intangible assets with indefinite useful lives are measured at cost and are not amortised, but are tested for impairment at least annually or whenever any indication of impairment exists.

The following intangible assets currently have an indefinite useful life:

- product registrations; and
- brands.

### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

### **1.5 Impairment of tangible and intangible assets**

At each balance sheet date, the company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, at which case the reversal is treated as a revaluation increase.

### **1.6 Leasing**

Leases which transfer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Other leases are classified as operating leases whereby the leased assets are not recognised on the Company's balance sheet.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### **1.7 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of



## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2010

inventory, with the majority being valued on a Weighted Average Cost basis. Net realisable value represents the estimated selling price for the inventories less estimated costs of completion and costs necessary to make the sale.

### 1.8 Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

#### *Loans to/(from) group companies*

These include loans to associates and are recognised initially at fair value plus direct transaction costs.

The initial fair value of such loans is the cash consideration given or received. However, when there is evidence that the fair value is different to the cash consideration given or received, the initial fair value is determined using a valuation technique and by applying terms and conditions on similar or market-related loans. Any difference between the initial fair value of the loan and the cash consideration given or received is recorded in the income statement immediately.

Subsequently, these loans are measured at amortised cost using the effective interest rate method, less accrual of interest in each period by applying the effective interest rate implicit to the loan to the outstanding balance on the loan. Any repayments received or paid reduce the loan.

Loan receivables bear no interest and where there are no determinable terms of repayment are included in non-current assets on the assumption that repayment will only occur after 12 months from the balance sheet date. Any adjustment arising from applying the effective interest rate method over a 12 month period is ignored if it is immaterial and the loan is then recorded at cost.

#### *Loans to/(from) shareholders*

Loans to/(from) shareholders are recognised initially at fair value plus direct transaction costs.

The initial fair value of such loans is the consideration given or received. However, when there is evidence that the fair value is different to the cash consideration given or received, the initial fair value is determined using a valuation technique and by applying terms and conditions on similar market-related loans. Any difference between the initial fair value of the loan and the cash consideration given or received is recorded in the income statement immediately.

Subsequently, these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. The amortised cost method results in the accrual of interest in each period by applying the effective interest rate implicit to the loan to the outstanding balance on the loan. Any repayments received or paid reduce the loans.

#### *Trade receivables*

Trade receivables are recognised and carried at the original invoice less an allowance for any uncollectible amounts. An allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

#### *Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and other short term deposits with an original maturity of three months or less. Cash and cash equivalents are short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. For purposes of the cash flow statement, cash and cash equivalents comprise cash and cash equivalents defined above, net of outstanding bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2010

### 1.9 Foreign currency transactions

Transactions in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured on the historical cost basis are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

### 1.10 Employee Benefits

#### *Defined contribution plans*

Payments to defined contribution plans are charged as an expense in profit or loss as they fall due.

#### *Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash bonuses or performance bonuses and leave pay if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 1.11 Provisions and contingencies

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount of the provision is discounted using a pre-tax discount rate when the effect of the expected future cash flow related to the provision is not expected to occur soon after balance sheet date and the effect of discounting is material. Provisions are reviewed annually to reflect the current best estimates of the expenditure required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is not treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Where the company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. In determining the measurement of the provision resulting from an onerous contract, the company considers the least net unavoidable cost of exiting the contract, which is generally the lower of cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The company also considers any impairment losses that have occurred on assets dedicated to the onerous contract.

A constructive obligation to restructure arises when the company has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2010

approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and a timeline identifying when the plan will be implemented. Furthermore, a constructive obligation to restructure only arises when the company has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing the main features of the restructuring plan. The restructuring provision that is raised when the company has a restructuring plan includes only those direct expenses entailed by the restructuring that are not associated with the ongoing activities of the company.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes to the annual financial statements.

### 1.12 Taxation

#### *Current tax assets and liabilities*

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to substantively enacted by the balance sheet date.

#### *Deferred tax assets and liabilities*

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- goodwill for which amortisation is not deductible for tax purposes; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither the accounting profit nor taxable profit/(loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or acquire is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax assets is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

A deferred tax assets is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

*Tax expenses*

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

**1.13 Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquire's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

**1.14 Judgments made by management**

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. There are no accounting policies that have been identified as involving particularly complex or subjective judgments or assessments other than the assessment of impairment of goodwill. Refer to notes for all relevant disclosures.

**1.15 Key sources of estimation uncertainty**

There are no key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustments to the carrying amounts of the assets and liabilities within the next financial year.

**2 PROPERTY, PLANT AND EQUIPMENT****Group**

	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
	<b>ZAR</b>	<b>ZAR</b>	<b>ZAR</b>	<b>Rs. Crore</b>	<b>Rs. Crore</b>	<b>Rs. Crore</b>
<b>At 31 March 2010</b>						
Buildings and leasehold improvements	2,851,041	(901,074)	1,949,967	1.76	(0.56)	1.20
Plant and machinery	5,212,699	(2,755,883)	2,456,816	3.21	(1.70)	1.51
Motor vehicles	386,270	(259,720)	126,550	0.24	(0.16)	0.08
Office furniture and computer equipment	1,534,514	(1,115,760)	418,754	0.95	(0.69)	0.26
Capital work in progress	423,421	–	423,421	0.26	–	0.26
	<b>10,407,945</b>	<b>(5,032,437)</b>	<b>5,375,508</b>	<b>6.42</b>	<b>(3.10)</b>	<b>3.31</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**Movement summary - 31 March 2010**

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR
Buildings and leasehold improvements	2,031,034	196,015	–	(277,080)	1,949,969
Plant and machinery	1,903,850	1,122,071	–	(569,106)	2,456,815
Motor vehicles	236,743	5,999	–	(116,191)	126,551
Office furniture and computer equipment	644,030	176,177	(109,290)	(292,165)	418,752
Capital work in progress	330,197	397,406	(304,182)	–	423,421
	<u>5,145,854</u>	<u>1,897,668</u>	<u>(413,472)</u>	<u>(1,254,542)</u>	<u>5,375,508</u>

**Movement summary - 31 March 2010**

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.25	0.12	–	(0.17)	1.20
Plant and machinery	1.17	0.69	–	(0.35)	1.51
Motor vehicles	0.15	0.00	–	(0.07)	0.08
Office furniture and computer equipment	0.40	0.11	(0.07)	(0.18)	0.26
Capital work in progress	0.20	0.25	(0.19)	–	0.26
	<u>3.17</u>	<u>1.17</u>	<u>(0.25)</u>	<u>(0.77)</u>	<u>3.31</u>

**Company**

No items of property, plant and equipment are held at a Company level.

**Group**

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore
<b>At 31 March 2009</b>						
Buildings and leasehold improvements	2,655,026	(623,992)	2,031,034	1.42	(0.33)	1.08
Plant and machinery	4,090,628	(2,186,778)	1,903,850	2.18	(1.17)	1.02
Motor vehicles	380,272	(143,529)	236,743	0.20	(0.08)	0.13
Office furniture and computer equipment	2,033,242	(1,389,212)	644,030	1.09	(0.74)	0.34
Capital work in progress	330,197	–	330,197	0.18	–	0.18
	<u>9,489,365</u>	<u>(4,343,511)</u>	<u>5,145,854</u>	<u>5.07</u>	<u>(2.32)</u>	<u>2.75</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**Movement summary - 31 March 2009**

	Opening carrying value	Acquisition of subsidiary-31 October 2007	Additions	Writeoffs and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR	ZAR
Buildings and leasehold improvements	2,137,442	–	154,122	–	(260,529)	2,031,035
Plant and machinery	1,331,085	121,117	926,541	(35,335)	(439,558)	1,903,850
Motor vehicles	230,045	–	140,000	(18,946)	(114,358)	236,741
Office furniture and computer equipment	1,043,887	(121,117)	108,299	(8,494)	(378,544)	644,031
Capital work in progress	–	–	330,197	–	–	330,197
	<u>4,742,459</u>	<u>–</u>	<u>1,659,159</u>	<u>(62,775)</u>	<u>(1,192,989)</u>	<u>5,145,854</u>

**Movement summary - 31 March 2009**

	Opening carrying value	Acquisition of subsidiary-31 October 2007	Additions	Writeoffs and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.14	–	0.08	–	(0.14)	1.08
Plant and machinery	0.71	0.06	0.49	(0.02)	(0.23)	1.02
Motor vehicles	0.12	–	0.07	(0.01)	(0.06)	0.13
Office furniture and computer equipment	0.56	(0.06)	0.06	(0.00)	(0.20)	0.34
Capital work in progress	–	–	0.18	–	–	0.18
	<u>2.53</u>	<u>–</u>	<u>0.89</u>	<u>(0.03)</u>	<u>(0.64)</u>	<u>2.75</u>

**Company**

No items of property, plant and equipment are held at a Company level.

No items of plant and equipment were held under instalment sale agreements as at 31 March 2010.

**3 INTANGIBLE ASSETS**

Movement summary - 31 March 2010

Group	Opening carrying Amount	Additions	Impairments	Closing carrying Amount	Opening carrying Amount	Additions	Impairments	Closing carrying Amount
	ZAR	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Brands	35,330,489	–	(2,000,000)	33,330,489	21.78	–	(1.23)	20.55
	<u>35,330,489</u>	<u>–</u>	<u>(2,000,000)</u>	<u>33,330,489</u>	<u>21.78</u>	<u>–</u>	<u>(1.23)</u>	<u>20.55</u>

**Company**

No intangible assets are held at a Company level.

The Group has classified its intangible assets as having indefinite useful lives. This conclusion 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 against public information on estimates of useful lives, indicate that the intangible asset has an indefinite period of foreseeable usage. This is further supported by the stability of the pharmaceutical and complimentary medicine industry and the strong demand in markets within which these products are marketed and sold.

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

Detailed impairment testing is performed for the indefinite-life intangible assets annually. The impairment review process is as follows:

Each period and whenever impairment indicators are present, management calculate the fair value of the asset and record an impairment loss for the excess of the carrying value over the fair value, if any.

The fair value is generally measured as the net present value of projected cash flows. In addition, a re-evaluation of the remaining useful life of the asset is performed to determine whether continuing to characterise the asset as having an indefinite life is, appropriate.

The recoverable amounts have been determined based on a value-in-use calculation. The calculation uses a free cash flow model that discounts the free cash flow available from profit after tax generated by the intangible asset. If the resulting net present value exceeds the carrying value of the intangible asset, the intangible asset is not impaired. However, if the resulting net present value is less than the carrying value, impairment is provided for.

	Group				Company			
	2010	2009	2010	2009	2010	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore

**4 INVESTMENT IN SUBSIDIARY**

Unlisted shares at cost less impairment losses – non current	–	–	–	–	45,485,555	45,485,555	28.05	24.28
Amounts due from subsidiary	–	–	–	–	55,852,421	55,497,500	34.44	29.63
Net investment in subsidiaries	–	–	–	–	101,337,976	100,983,055	62.48	53.91
Director's valuation of unlisted investment	–	–	–	–	101,337,976	100,983,055	62.48	53.91

The investment in unlisted shares relates to a 100% holding in the shares of CPF International (Proprietary) Limited. The subsidiary used to hold the Caival brand which was sold to Marico South Africa (Proprietary) Limited in the current year. As the subsidiary has now become dormant the investment has been impaired.

**5 DEFERRED TAXATION**

	Group				Company			
	2010	2009	2010	2009	2010	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Opening balance	(4,900,570)	(5,827,988)	(3.02)	(3.11)	–	–	–	–
Current year charge to income statement	(3,077,228)	927,418	(1.90)	0.50	–	–	–	–
<b>Closing balance</b>	<b>(7,977,798)</b>	<b>(4,900,570)</b>	<b>(4.92)</b>	<b>(2.62)</b>	–	–	–	–
Property, plant and equipment	(62,610)	(84,606)	(0.04)	(0.05)	–	–	–	–
Prepayments	–	132,039	–	0.07	–	–	–	–
Operating leases	(166,327)	(106,492)	(0.10)	(0.06)	–	–	–	–
Employee benefit accruals	(447,329)	(421,473)	(0.28)	(0.23)	–	–	–	–
Provision for doubtful debts	(134,277)	(94,317)	(0.08)	(0.05)	–	–	–	–
Other Provisions	(1,649,399)	(1,325,888)	(1.02)	(0.71)	–	–	–	–
Tax losses carried forward	(5,517,856)	(2,999,833)	(3.40)	(1.60)	–	–	–	–
<b>Tax (assets)/liabilities</b>	<b>(7,977,798)</b>	<b>(4,900,570)</b>	<b>(4.92)</b>	<b>(2.62)</b>	–	–	–	–

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

Deferred tax assets recognised on the assumption that the assets will be recovered through use. The statutory tax rate of 28% was used to compute deferred taxation balances.

No deferred tax asset has been recognised at Company level as it is not probable that future taxable profits will be available against which temporary differences can be utilised.

**6 GOODWILL**

Carrying Value at the end of the year	<u>37,686,823</u>	<u>37,686,823</u>	<u>23.24</u>	<u>20.12</u>
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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.

**7 TRADE AND OTHER RECEIVABLES**

	Group				Company			
	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore
Trade receivables	16,596,329	14,747,827	10.23	7.87	–	–	–	–
Other receivables	1,600,678	590,583	0.99	0.32	–	–	–	–
	<u>18,197,007</u>	<u>15,338,410</u>	<u>11.22</u>	<u>8.19</u>	–	–	–	–

At 31 March 2010 trade receivables are shown net of an allowance for doubtful debts of R1 491 473 (2009: R915 624) arising from the unlikely recoverability of trade receivables and purchase rebates likely to be paid to customers of R4 445 759 (2009: R2 695 133).

**8 INVENTORIES**

Raw materials	6,697,519	6,856,274	4.13	3.66	–	–	–	–
Work in progress	618,151	787,590	0.38	0.42	–	–	–	–
Finished goods	5,552,253	3,787,064	3.42	2.02	–	–	–	–
	<u>12,867,923</u>	<u>11,430,928</u>	<u>7.93</u>	<u>6.10</u>	–	–	–	–
Provision for obsolescence	(592,887)	(869,345)	(0.37)	(0.46)	–	–	–	–
	<u>12,275,036</u>	<u>10,561,583</u>	<u>7.57</u>	<u>5.64</u>	–	–	–	–

The Group identifies specific items and product lines that are slow moving or that should be discontinued and provide 100% for those items.

No inventories were held on consignment or in transit at year end.

**9 SHARE CAPITAL AND SHARE PREMIUM****Share Capital****Authorised**

1000 ordinary shares of 1 Rand each	1,000	1,000	–	–	1,000	1,000	–	–
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**Issued**

800 ordinary shares of 1 Rand each	800	800	–	–	800	800	–	–
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The unissued share capital is under the control of the directors of the Group and the Company until the next annual general meeting of the shareholders.

**Share premium**

Share premium	<u>43,799,900</u>	<u>43,799,000</u>	<u>27.01</u>	<u>23.38</u>	<u>43,799,900</u>	<u>43,799,000</u>	<u>27.01</u>	<u>23.38</u>
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**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**10 TRADE AND OTHER PAYABLES**

Trade payables	6,063,894	9,479,862	3.74	5.06	-	-	-	-
Other payables	11,665,570	7,689,061	7.19	4.11	20,000	85,000	0.01	0.05
	<u>17,729,464</u>	<u>17,168,923</u>	<u>10.93</u>	<u>9.17</u>	<u>20,000</u>	<u>85,000</u>	<u>0.01</u>	<u>0.05</u>

**11 PROVISIONS**

	Opening balance ZAR	Movement ZAR	Closing balance ZAR	Opening balance Rs.Crore	Movement Rs.Crore	Closing balance Rs.Crore
Provision for leave pay	395,608	59,930	455,538	0.24	0.04	0.28
Provision for bonuses	1,109,654	32,413	1,142,067	0.68	0.02	0.70
	<u>1,505,262</u>	<u>92,343</u>	<u>1,597,605</u>	<u>0.93</u>	<u>0.06</u>	<u>0.99</u>

**12 AMOUNTS DUE TO HOLDING COMPANY**

	Group				Company			
	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore
Marico Limited	61,183,253	60,641,286	37.73	32.38	61,183,253	60,641,286	37.73	32.38
Long term	<u>61,183,253</u>	<u>60,641,286</u>	<u>37.73</u>	<u>32.38</u>	<u>61,183,253</u>	<u>60,641,286</u>	<u>37.73</u>	<u>32.38</u>

The loan is unsecured and is repayable in five years. The loan bears interest at the 3 month London Interbank Offered Rate plus 2.3%.

**13 PROFIT BEFORE FINANCE COSTS AND TAXATION**

Profit before finance costs and taxation is stated after taking the following into account:

	Group				Company			
	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore
<u>Income</u>								
Loss on disposal of property, plant & equipment	96,412	26,521	0.06	0.01	-	-	-	-
<u>Expenditure</u>								
Auditor's remuneration								
- audit fees	458,962	441,795	0.28	0.24	20,000	60,000	0.01	0.03
Depreciation	1,254,542	1,192,989	0.77	0.64	-	-	-	-
Fixed asset written off	109,290	9,356	0.07	0.00	-	-	-	-
Lease rentals	2,466,248	2,464,651	1.52	1.32	-	-	-	-
Staff costs (including director emoluments- refer note 19)	5,139,832	18,064,744	3.17	9.64	-	-	-	-
Foreign exchange (gain)/ loss on loan from Marico Limited	- (8,843,915)	-	-	(4.72)	- (8,843,915)	-	-	(4.72)
Number of employees	<u>117</u>	<u>111</u>						

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**14 NET FINANCE COSTS**

Interest on bank account	(301,441)	(1,332,829)	(0.19)	(0.71)	(55,676)	(162,514)	(0.03)	(0.09)
Interest on shareholder loan to Marico South Africa (Pty) Limited	-	-	-	-	(5,777,622)	(3,044,526)	(3.56)	(1.63)
<b>Finance income</b>	<b>(301,441)</b>	<b>(1,332,829)</b>	<b>(0.19)</b>	<b>(0.71)</b>	<b>(5,833,298)</b>	<b>(3,207,047)</b>	<b>(3.60)</b>	<b>(1.71)</b>
Interest on shareholder loans from Marico Limited	6,350,599	3,682,141	3.92	1.97	6,350,599	3,682,141	3.92	1.97
<b>Finance cost</b>	<b>6,350,599</b>	<b>3,682,141</b>	<b>3.92</b>	<b>1.97</b>	<b>6,350,599</b>	<b>3,682,141</b>	<b>3.92</b>	<b>1.97</b>
<b>Net finance cost</b>	<b>6,049,158</b>	<b>2,349,312</b>	<b>3.73</b>	<b>1.25</b>	<b>517,301</b>	<b>475,101</b>	<b>0.32</b>	<b>0.25</b>

**15 INCOME TAX EXPENSE**

	Group				Company			
	2010	2009	2010	2009	2010	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Deferred tax expense								
Current	1,918,129	263,594	1.18	0.14	-	-	-	-
Prior year underprovision	1,159,099	663,824	0.71	0.35	-	-	-	-
	<u>3,077,228</u>	<u>927,418</u>	<u>1.90</u>	<u>0.50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	%	%	-	-	%	%	-	-
Reconciliation of tax rate								
Current period as a percentage of profit	41.35	9.90	-	-	-	-	-	-
Adjusted for:								
- Permanent differences	2.23	25.20	-	-	28.00	28.00	-	-
- Prior period adjustments	(15.58)	(7.10)	-	-	-	-	-	-
SA normal tax rate	<u>28.00</u>	<u>28.00</u>	-	-	<u>28.00</u>	<u>28.00</u>	-	-

No provision has been made for current taxation as the Group has an estimated tax loss of R10,713,690. The Group recognises deferred tax assets to the extent that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Refer to note 5 for further details.

No assessed loss has been carried forward for the Company.

**16 FINANCIAL RISK MANAGEMENT**

The Group's financial instruments consist primarily of deposits with banks, short term investments, trade accounts receivable and payable and loans to and from the holding company and subsidiaries. Financial instruments are carried at fair value or amounts that approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**Categories of financial instruments**

			Group				Company	
	2010	2009	2010	2009	2010	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
<b>Financial assets</b>								
<b>Loans and receivables</b>	<b>21,801,924</b>	<b>27,991,518</b>	<b>13.44</b>	<b>14.94</b>	<b>56,533,282</b>	<b>56,539,085</b>	<b>34.86</b>	<b>30.19</b>
Trade and other receivables	18,197,007	15,338,410	11.22	8.19	–	–	–	–
Cash equivalents	3,604,917	12,653,108	2.22	6.76	680,861	1,041,535	0.42	0.56
Inter-company balances	–	–	–	–	55,852,421	55,497,550	34.44	29.63
<b>Financial liabilities</b>								
<b>Financial liabilities measured at amortised cost</b>	<b>78,912,717</b>	<b>77,810,209</b>	<b>48.66</b>	<b>41.54</b>	<b>61,203,253</b>	<b>60,726,286</b>	<b>37.74</b>	<b>32.42</b>
Interest bearing liabilities	61,183,253	60,641,286	37.73	32.38	61,183,253	60,641,286	37.73	32.38
Trade and other payables	17,729,464	17,168,923	10.93	9.17	20,000	85,000	0.01	0.05

In the normal course of operations, the Group is exposed to credit risk, interest rate risk, liquidity risk and foreign currency risk.

**Foreign currency risk management**

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group i.e. South African Rand.

There are no foreign currency denominated monetary assets and liabilities at the reporting date.

**Foreign currency sensitivity**

The Group's exchange rate exposure relates mainly to the Indian Rupee. The following table details the Group's sensitivity to a 10% increase and decrease in the Rand against this foreign currency.

10% is the sensitivity rate that represent's management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The amounts below indicate the amount by which profit and equity would increase if the Rand strengthens against the relevant currency by 10% respectively.

			Group				Company	
	2010	2009	2010	2009	2010	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
10% foreign currency sensitivity	–	–	–	–	–	–	–	–

In 2010 there were no foreign currency denominated monetary assets and liabilities at the reporting date.

**Interest rate risk management**

The Group's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

The Group adopts a policy of regularly reviewing interest rate exposure, and maintains floating rate borrowings

**Interest rate sensitivity**

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant in the case of variable rate borrowings. A 50 basis point increase or decrease has been used, as this represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables held constant, the Group's / Company's profit before tax would decrease by:

	Group				Company			
	2010	2009	2010	2009	2010	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
	287,892	239,941	0.18	0.13	3,404	20,511	0.03	0.01

**Credit risk management**

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables comprise a wide customer base.

At period end there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, grossed up for any allowances for losses.

The Group grants credit of 30 days to its customers. The analysis of trade receivables which are past due at period end is as follows:

	Group				Company			
	2010	2009	2010	2009	210	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore
Not past due	10,919,734	7,051,686	6.73	3.76	–	–	–	–
Past due by 30 days	6,239,484	7,495,620	3.85	4.00	–	–	–	–
Past due by 60 days	3,182,864	2,929,387	1.96	1.56	–	–	–	–
Past due by 90 days	2,191,479	1,586,233	1.35	0.85	–	–	–	–
	<b>22,533,561</b>	<b>19,062,926</b>	<b>13.89</b>	<b>10.18</b>	–	–	–	–
Less: Provisions	(5,937,232)	(4,315,099)	(3.66)	(2.30)	–	–	–	–
Total trade receivables	<b>16,596,329</b>	<b>14,747,827</b>	<b>10.23</b>	<b>7.87</b>	–	–	–	–

**Liquidity risk management**

Prudent liquidity risk management implies maintaining sufficient cash resources and ensuring the availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility by monitoring cash flow forecast, good working capital management and ensuring adequate borrowing facilities are maintained.

The following table details the Group and Company's remaining contractual maturity of its non-derivative financial liabilities.

Company - 2010	Average Interest rate	Within 1 Year	Greater than 2 years	Total
		ZAR	ZAR	ZAR
Receiver of revenue	0.00%	–	–	–
Trade and other payables	0.00%	17,729,464	–	17,729,464
Interest bearing shareholders loan from Marico Limited	8.19%	–	61,183,253	61,183,253
		<b>17,729,464</b>	<b>61,183,253</b>	<b>78,912,717</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**Group - 2009**

Receiver of revenue	0.00%	38,180	–	38,180
Trade and other payables	0.00%	17,130,743	–	17,130,743
Interest bearing shareholder loan from Marico Limited	5.45%	–	60,641,286	60,641,286
		<u>17,168,923</u>	<u>60,641,286</u>	<u>77,810,209</u>

<b>Group - 2010</b>	<b>Average Interest rate</b>	<b>Within 1 Year Rs.Crore</b>	<b>Greater than 2 years Rs.Crore</b>	<b>Total Rs.Crore</b>
Receiver of revenue	0.00%	–	–	–
Trade and other payables	0.00%	10.93	–	10.93
Interest bearing shareholders loan from Marico Limited	5.45%	–	37.73	37.73
		<u>10.93</u>	<u>37.73</u>	<u>48.66</u>

**Group - 2009**

Receiver of revenue	0.00%	0.02	–	0.02
Trade and other payables	0.00%	9.15	–	9.15
Interest bearing shareholder loan from Marico Limited	5.45%	–	32.38	32.38
		<u>9.17</u>	<u>32.38</u>	<u>41.54</u>

<b>Company - 2010</b>	<b>Average Interest rate</b>	<b>Within 1 Year ZAR</b>	<b>Greater than 2 years ZAR</b>	<b>Total ZAR</b>
Trade and other payables	0.00%	20,000	-	20,000
Interest bearing shareholders loan from Marico Limited	8.19%	-	61,183,253	61,183,253
		<u>20,000</u>	<u>61,183,253</u>	<u>61,203,253</u>

**Company - 2009**

Trade and other payables	0.00%	85,000	–	85,000
Interest bearing shareholder loan from Marico Limited	5.45%	–	60,641,286	60,641,286
		<u>85,000</u>	<u>60,641,286</u>	<u>60,726,286</u>

<b>Company - 2010</b>	<b>Average Interest rate</b>	<b>Within 1 Year Rs.Crore</b>	<b>Greater than 2 years Rs.Crore</b>	<b>Total Rs.Crore</b>
Trade and other payables	0.00%	0.01	–	0.01
Interest bearing shareholders loan from Marico Limited	8.19%	–	37.73	37.73
		<u>0.01</u>	<u>37.73</u>	<u>37.74</u>

**Company - 2009**

Trade and other payables	0.00%	0.05	–	0.05
Interest bearing shareholder loan from Marico Limited	5.45%	–	32.38	32.38
		<u>0.05</u>	<u>32.38</u>	<u>32.42</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**17 RELATED PARTIES****(a) Identification of related parties**

At 31 March 2010, the holding company of Marico South Africa Consumer Care (Proprietary) Limited is, a listed company incorporated in India, which holds 100% of the company's issued share capital. Marico South Africa Consumer Care (Proprietary) Limited holds 100% of the issued share capital of Marico South Africa (Proprietary) Limited, which in turn owns 100% of CPF International (Proprietary) Limited.

The directors are listed in the directors report.

Transactions with related parties are conducted on an arm's length basis and on the same payment terms as those transacted with third parties. None of the balances are secured.

The Group has a related party relationship with its holding company, subsidiary and with its directors and key management personnel.

	Group				Company			
	2010	2009	2010	2009	2010	2009	2010	2009
	ZAR	ZAR	Rs.Crore	Rs.Crore	ZAR	ZAR	Rs.Crore	Rs.Crore

**(b) Transactions with related parties**

The following transactions were carried out by the company with related parties:

Interest income earned

Marico South Africa (Proprietary) Limited	–	–	–	–	5,777,622	3,044,526	3.56	1.63
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Interest expense incurred

Marico Limited	6,350,599	3,682,141	3.92	1.97	6,350,599	3,682,141	3.92	1.97
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Investment in subsidiary

Marico South Africa (Proprietary) Limited	–	–	–	–	45,485,555	45,485,555	28.05	24.28
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**(c) Amounts due from related parties**Amounts due from subsidiary

Marico South Africa (Proprietary) Limited	–	–	–	–	55,852,421	55,497,550	34.44	29.63
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**(d) Amounts due to related parties**

Amounts due to holding company

Marico Limited	61,183,253	60,641,286	37.73	32.38	61,183,253	60,641,286	37.73	32.38
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**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 March 2010

**18 COMMITMENTS**

	Group				Company			
	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore	2010 ZAR	2009 ZAR	2010 Rs.Crore	2009 Rs.Crore
Capital commitments								
- Plant and equipment	39,022	828,497	0.02	0.44	-	-	-	-
Operating lease commitments								
- Within 1 period	1,426,831	1,346,000	0.88	0.72	-	-	-	-
- Between 2 & 5 periods	6,616,349	8,043,000	4.08	4.29	-	-	-	-
- Over 5 periods	1,909,422	299,000	1.18	0.16	-	-	-	-
	<b>9,952,602</b>	<b>9,688,000</b>	<b>6.14</b>	<b>5.17</b>	-	-	-	-

The Group leases certain factory facilities under sub-operating leases. The leases run for a period of up to 10 years, with an option to renew the lease after that date.

In determining lease classification, the Group evaluated whether both land and buildings were clearly operating leases or finance leases. Firstly, land title does not pass and because rentals paid to the landlord for the buildings are increased to market-related rates at regular intervals, and because the Group does not participate in the residual value of the building, it was judged that substantially all the risks and rewards of the building are with the landlord. Based on these factors it was concluded that the leases were operating leases.

**19 DIRECTORS EMOLUMENTS**

No directors emoluments were paid at Company level. Directors emoluments paid in the Group, during the current financial period, amounted to R 5,139,832 (2009: R 3,632,330).

# MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

**Board of Directors**

Harsh Mariwala

Milind Sarwate

Vijay Subramaniam

Padmanabh Maydeo

John Richard Mason

Noel Colin Kersley Vinay

**Registered Office**

1474 South Coast Road

Mobeni 4052

**Factory**

1474 South Coast Road

Mobeni 4052

**Auditors**

Deloitte & Touche

**Bankers**

Standard Bank of South Africa Ltd

**Legal Advisors**

Adams & Adams - Patent and Trademark Attorneys

Deneys Reitz, Commercial attorneys



## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors are responsible for the maintenance of adequate accounting records and for the preparation and integrity of the annual financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements- The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The Company's independent external auditors have audited the financial statements and their report appears on page 2.

The directors are also responsible for the Company's system of internal control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability for assets, to record all liabilities, and to prevent and detect misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for the foreseeable future.

### **DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 3 to 27 were approved by the board of directors on 25 June 2010 and are signed on its behalf by.,

**NCK Vinay**  
Financial Director

**PS Maydeo**  
Operations Director

**JR Mason**  
Managing Director

## REPORT ON THE FINANCIAL STATEMENTS

TO THE MEMBER OF MARICO SOUTH AFRICA (PROPRIETARY) LIMITED

### Report on the Financial Statements

We have audited the annual financial statements of Marico South Africa (Proprietary) Limited which comprise the directors' report, the statement of financial position as at 31 March 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages **3 to 27**.

### Directors' Responsibility for the Financial Statements

The director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. 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 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 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 present fairly, in all material respects, the financial position of the company as at 31 March 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

### Deloitte & Touche

Per M Luthuli

Registered Auditor

25 June 2010

## **DIRECTORS' REPORT**

**31 March 2010**

The directors have pleasure in presenting their report which forms part of the annual financial statements of Marico South Africa (Proprietary) Limited ("the Company") for the year ended 31 March 2010.

### **NATURE OF BUSINESS**

The Company manufactures and distributes a wide range of personal care and affordable complementary health care products.

### **GENERAL REVIEW**

The Company's results for the year ended 31 March 2010 are fully disclosed in the attached annual financial statements.

### **DIVIDENDS**

No dividends were paid, declared or recommended during the current or prior year

### **SHARE CAPITAL**

There have been no changes to the Company's authorised or issued share capital during the year.

### **SUBSEQUENT EVENTS**

The directors are not aware of any matter or circumstance which is material to the financial affairs of the Company which has occurred between the balance sheet date and the date of approval of the annual financial statements, that has not been otherwise dealt with in the financial statements.

### **GOING CONCERN**

The Company generated a net loss for the year of R3 881 340 (2009: net profit of R166 930). At 31 March 2010 the Company's total assets exceeded its total liabilities by R4 920 404 (2009: R8 801 744).

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.

### **DIRECTOR'S EMOLUMENTS**

Director's emoluments paid during the year are detailed under note 16. The Company's directors are also directors of the holding company.

### **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.

### **SUBSIDIARY**

The Company holds 100% of the issued share capital of CPF International (Proprietary) Limited; a dormant company.

### **RELATED PARTY BALANCES**

Refer to note 15 for details of the terms and conditions of the balances outstanding from and to the holding company, and the subsidiary.

**BALANCE SHEET**

	Note	As at March 31,			
		2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
<b>ASSETS</b>					
<b>Non-current assets</b>		<u>46,683,795</u>	<u>45,376,913</u>	<u>28.78</u>	<u>24.23</u>
Property, plant and equipment	2	5,375,508	5,145,854	3.31	2.75
Intangible assets	3	33,330,489	35,330,489	20.55	18.86
Deferred taxation	4	<u>7,977,798</u>	<u>4,900,570</u>	<u>4.92</u>	<u>2.62</u>
<b>Current assets</b>		<u>33,396,099</u>	<u>37,511,566</u>	<u>20.59</u>	<u>20.02</u>
Trade and other receivables	5	18,197,007	15,338,410	11.22	8.19
Inventories	6	12,275,036	10,561,583	7.57	5.63
Cash and cash equivalents		<u>2,924,056</u>	<u>11,611,573</u>	<u>1.80</u>	<u>6.20</u>
<b>TOTAL ASSETS</b>		<u><b>80,079,894</b></u>	<u><b>82,888,479</b></u>	<u><b>49.37</b></u>	<u><b>44.25</b></u>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
		<u>4,920,404</u>	<u>8,801,744</u>	<u>3.02</u>	<u>4.70</u>
Share capital	7	5,000	5,000	–	–
Share premium	7	22,863,735	22,863,735	14.09	12.21
Accumulated loss		<u>(17,948,331)</u>	<u>(14,066,991)</u>	<u>(11.07)</u>	<u>(7.51)</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Amounts due to holding company	10	55,852,421	55,497,550	34.44	29.63
<b>Current liabilities</b>		<u>19,307,069</u>	<u>18,589,185</u>	<u>11.91</u>	<u>9.92</u>
Trade and other payables	8	17,709,464	17,083,923	10.92	9.12
Provisions	9	<u>1,597,605</u>	<u>1,505,262</u>	<u>0.99</u>	<u>0.80</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>80,079,894</b></u>	<u><b>82,888,479</b></u>	<u><b>49.37</b></u>	<u><b>44.25</b></u>

**NCK Vinay**  
Financial Director

**PS Maydeo**  
Operations Director

**JR Mason**  
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.166 / ZAR (Rs. 5.339 / ZAR)

**INCOME STATEMENT**

	Note	Year ended March 31,			
		2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
<b>Revenue</b>		<b>104,834,062</b>	<b>91,346,486</b>	<b>64.64</b>	<b>48.77</b>
Cost of sales		(50,988,489)	(47,337,569)	(31.44)	(25.27)
<b>Gross profit</b>		<b>53,845,573</b>	<b>44,008,917</b>	<b>33.20</b>	<b>23.50</b>
Selling and distribution costs		(26,127,536)	(19,783,303)	(16.11)	(10.56)
Administration costs		(25,835,841)	(20,900,050)	(15.93)	(11.16)
Other expenses		(3,308,907)	(14,929,445)	(2.04)	(7.97)
Dividend income		–	13,700,000	–	7.31
Other income		–	872,440	–	0.47
<b>(Loss) / Profit before finance costs and taxation</b>	11	<b>(1,426,711)</b>	<b>2,968,559</b>	<b>(0.88)</b>	<b>1.59</b>
<b>Net finance costs</b>	12	<b>(5,531,857)</b>	<b>(1,874,211)</b>	<b>(3.41)</b>	<b>(1.00)</b>
Finance costs		(5,777,622)	(3,044,526)	(3.56)	(1.63)
Finance income		245,765	1,170,315	0.15	0.62
<b>(Loss) / Profit before taxation</b>		<b>(6,958,568)</b>	<b>1,094,348</b>	<b>(4.29)</b>	<b>0.58</b>
Taxation	13	3,077,228	(927,418)	1.90	(0.50)
<b>(Loss)/ Profit after taxation</b>		<b>(3,881,340)</b>	<b>166,930</b>	<b>(2.39)</b>	<b>(0.09)</b>
Other comprehensive income		–	–	–	–
<b>Total comprehensive (loss)/income</b>		<b>(3,881,340)</b>	<b>166,930</b>	<b>(2.39)</b>	<b>(0.07)</b>

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**STATEMENT OF CHANGES IN EQUITY**

	Year ended March 31,			
	Share capital	Share Premium	Accumulated (loss)/profit	Total ZAR
	ZAR	ZAR	ZAR	ZAR
Balance at 1 April 2009	5,000	22,863,735	(14,233,921)	8,634,814
Total comprehensive income	—	—	166,930	166,930
Balance at 31 March 2009	5,000	22,863,735	(14,066,991)	8,801,744
Total comprehensive loss	—	—	(3,881,340)	(3,881,340)
Balance at 31 March 2010	<u>5,000</u>	<u>22,863,735</u>	<u>(17,948,331)</u>	<u>4,920,404</u>

	Year ended March 31,			
	Share capital	Share Premium	Accumulated (loss)/profit	Total ZAR
	ZAR	ZAR	ZAR	ZAR
Balance at 1 April 2009	—	14.10	(8.78)	5.32
Total comprehensive income	—	—	0.10	0.10
Balance at 31 March 2009	—	14.10	(8.68)	5.42
Total comprehensive loss	—	—	(2.39)	(2.39)
Balance at 31 March 2010	<u>—</u>	<u>14.10</u>	<u>(11.07)</u>	<u>3.03</u>

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**CASH FLOW STATEMENT**

	Note	Year ended March 31,			
		2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
<b>Cash generated by operations</b>	A	(1,978,092)	17,876,331	(1.22)	9.54
Finance costs paid	B	(5,422,742)	(3,044,526)	(3.34)	(1.63)
Other finance income received		245,765	1,170,315	0.15	0.62
<b>Net cash inflow / (outflow) from operating activities</b>		<b>(7,155,069)</b>	<b>16,002,120</b>	<b>(4.41)</b>	<b>8.53</b>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment		(1,897,668)	(1,659,159)	(1.17)	(0.89)
Proceeds on disposal of property, plant and equipment		10,349	26,898	0.01	0.01
Additions to intangible assets		–	(13,765,610)	–	(7.35)
<b>Net cash outflow from investing activities</b>		<b>(1,887,319)</b>	<b>(15,397,871)</b>	<b>(1.16)</b>	<b>(8.23)</b>
<b>Cash flows from financing activities</b>					
Increase / (decrease) in shareholder's loans		354,871	(2,719,946)	0.21	(1.45)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>354,871</b>	<b>(2,719,946)</b>	<b>0.21</b>	<b>(1.45)</b>
Net decrease in cash and cash equivalents		(8,687,517)	(2,115,697)	(5.36)	(1.13)
Cash and cash equivalents at beginning of year		11,611,573	13,727,270	7.16	7.33
<b>Cash and cash equivalents at end of year</b>		<b>2,924,056</b>	<b>11,611,573</b>	<b>1.80</b>	<b>6.20</b>

**NCK Vinay**  
Financial Director

**PS Maydeo**  
Operations Director

**JR Mason**  
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.166 / ZAR (Rs. 5.339 / ZAR)

## NOTES TO THE CASH FLOW STATEMENT

	Year ended March 31			
	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
<b>A. CASH GENERATED BY OPERATIONS</b>				
(Loss) / Profit before taxation from continuing operations	(6,958,566)	1,094,348	(4.29)	0.58
Adjustments for:				
<b>Non- cash flow items</b>				
Loss/ (Profit) on disposal of property, plant and equipment	96,412	26,521	0.06	0.01
Depreciation	1,254,542	1,192,989	0.77	0.64
Impairments	2,000,000	13,700,000	1.23	7.31
Asset write off	12,878	9,356	0.01	–
Income write back	(61,040)	–	(0.04)	–
<b>Other adjustments</b>				
Finance income	(245,765)	(1,170,315)	(0.15)	(0.62)
Finance costs	5,777,622	3,044,526	3.56	1.63
Movement in provisions	92,343	746,422	0.06	0.40
<b>Operating profit before working capital changes</b>	1,968,426	18,643,847	1.21	9.95
Increase in trade and other receivables	(2,858,597)	(2,556,636)	(1.76)	(1.36)
Increase in inventories	(1,713,453)	(1,720,368)	(1.06)	(0.92)
Increase in trade and other payables	625,541	3,509,488	0.39	1.87
	<b>(1,978,083)</b>	<b>17,876,331</b>	<b>(1.22)</b>	<b>9.54</b>
<b>B. FINANCE COSTS PAID</b>				
Finance cost as per income statement	5,777,622	3,044,526	3.56	1.63
Finance costs paid	(5,422,751)	(3,044,526)	(3.34)	(1.63)
	<b>354,871</b>	<b>–</b>	<b>0.22</b>	<b>–</b>

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 1 ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

The significant accounting policies are set out below. The accounting policies are consistent with the prior year.

During the current year, the Company adopted the following accounting statement:

IAS 1 : Presentation of Financial Statements

This statement requires the Company to present all non-owner changes in equity (that is, 'comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It also requires the Company to present a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement

At the date of authorisation of the financial statements, the following statements and interpretations were issued but not yet effective:

*New International Financial Reporting Interpretations:*

IFRIC 17	Distribution of Non-cash Assets to Owners	1-Jul-2009
IFRIC 18	Transfer of Assets from Customers	1-Jul-2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1-Jul-2010

*New International Financial Reporting Standards:*

IFRS 9	Financial Instruments	1-Jan-2013
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*Amended International Accounting Standards:*

IFRS 2 Share-based Payment	Scope of IFRS 2 and revised IFRS 3	1-Jul-2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1-Jan-2010
IFRS 8 Operating Segments	Disclosure of information about segment assets	1-Jan-2010
IAS 1 Presentation of Financial Statements	Current/non-current classification of convertible instruments	1-Jan-2010
IAS 7 Statement of Cash Flows	Classification of expenditures on unrecognised assets	1-Jan-2010
IAS 17 Leases	Classification of leases of land and buildings	1-Jan-2010
IAS 18 Revenue	Determining whether an entity is acting as a principal or as an agent	None – amendment to non-mandatory guidance
IAS 36 Impairment of Assets	Unit of accounting for goodwill impairment test	1-Jan-2010

*Amended International Accounting Standards:*

IAS 38 Intangible Assets	Additional consequential amendments arising from revised IFRS 3 Measuring the fair value of an intangible asset acquired in a business combination	1-Jul-2009
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

IAS 39 Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives	1-Jan-2010
	Scope exemption for business combination contracts Cash flow hedge accounting	
IFRIC 9 Reassessment of Embedded Derivatives	Scope of IFRIC 9 and revised IFRS 3	1-Jul-2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Amendment to the restriction on the entity the entity that can hold hedging instruments	1-Jul-2009

On 16 April 2009, the International Accounting Standards Board (IASB) issued its latest Standard, titled Improvements to IFRS's – a collection of amendments to International Financial Reporting Standards.

The Company is in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on the Company's results and disclosures.

**1.2 Revenue Recognition**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest is recognised, in profit or loss, using the effective interest rate method.

**1.3 Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Costs include cost incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment, to write down the cost, less residual value, by equal instalments over their useful lives as follows

Leashold Improvements	10 years
Plant and machinery	5-15 years
Motor vehicles	3.33 years
Office equipment	5 years
Furniture and fittings	10 years
Computer equipment	5 years

The depreciation charge for each period is recognised in profit or loss. Useful lives are assessed annually.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is recognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Gains and losses on disposals are determined by reference to their carrying amount and recognised in profit or loss.

No business economic changes have occurred during the current year to lead management to believe that the useful lives and residual values of the plant and equipment have changed.

### 1.4 Intangible assets

The useful lives of all intangible assets acquired by the Company are assessed to determine if the useful life is finite or indefinite. Useful lives of intangible assets are reviewed at least at the end of each financial period and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charge for the current and future periods.

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Intangible assets with indefinite useful lives are measured at cost and are not amortised, but are tested for impairment at least annually or whenever any indication of impairment exists.

The following intangible assets currently have an indefinite useful life:

- product registrations; and
- brands.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

### 1.5 Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, at which case the reversal is treated as a revaluation increase.

### 1.6 Leasing

Leases which transfer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Other leases are classified as operating leases whereby the leased assets are not recognised on the Company's balance sheet.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### 1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a Weighted Average Cost basis. Net realisable value represents the estimated selling price for the inventories less estimated costs of completion and costs necessary to make the sale.

### 1.8 Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

#### *Loans from shareholders*

Loans from shareholders are recognised initially at fair value plus direct transaction costs.

The initial fair value of such loans is the consideration received. However, when there is evidence that the fair value is different to the cash consideration received, the initial fair value is determined using a valuation technique and by applying terms and conditions on similar market-related loans. Any difference between the initial fair value of the loan and the cash consideration received is recorded in the income statement immediately.

Subsequently, these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. The amortised cost method results in the accrual of interest in each period by applying the effective interest rate implicit to the loan to the outstanding balance on the loan. Any repayments made reduce the loans.

#### *Trade receivables*

Trade receivables are recognised and carried at the original invoice less an allowance for any uncollectible amounts. An allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### *Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and other short term deposits with an original maturity of three months or less. Cash and cash equivalents are short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash and cash equivalents defined above, net of outstanding bank overdrafts.

### **1.9 Foreign currency transactions**

Transactions in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured on the historical cost basis are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

### **1.10 Employee Benefits**

#### *Defined contribution plans*

Payments to defined contribution plans are charged as an expense in profit or loss as they fall due.

#### *Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash bonuses or performance bonuses and leave pay if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **1.11 Provisions and contingencies**

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount of the provision is discounted using a pre-tax discount rate when the effect of the expected future cash flow related to the provision is not expected to occur soon after balance sheet date and the effect of discounting is material.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

Provisions are reviewed annually to reflect the current best estimates of the expenditure required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is not treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Where the company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. In determining the measurement of the provision resulting from an onerous contract, the company considers the least net unavoidable cost of exiting the contract, which is generally the lower of cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The company also considers any impairment losses that have occurred on assets dedicated to the onerous contract.

A constructive obligation to restructure arises when the company has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and a timeline identifying when the plan will be implemented. Furthermore, a constructive obligation to restructure only arises when the company has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing the main features of the restructuring plan. The restructuring provision that is raised when the company has a restructuring plan includes only those direct expenses entailed by the restructuring that are not associated with the ongoing activities of the company.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes to the annual financial statements.

### 1.12 Taxation

#### *Current tax assets and liabilities*

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to substantively enacted by the balance sheet date.

#### *Deferred tax assets and liabilities*

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- goodwill for which amortisation is not deductible for tax purposes; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither the accounting profit nor taxable profit/(loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

### *Taxation expenses*

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### **1.13 Judgments made by management**

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. There are no accounting policies that have been identified as involving particularly complex or subjective judgments or assessments other than the assessment of impairment of goodwill. Refer to notes for all relevant disclosures.

### **1.14 Key sources of estimation uncertainty**

There are no key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustments to the carrying amounts of the assets and liabilities within the next financial year.

### **1.15 Comparatives**

Where necessary, comparative figures have been adjusted to conform with International Financial Reporting Standards.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**2. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore
At 31 March 2010						
Buildings and leasehold improvements	2,851,041	(901,074)	1,949,967	1.76	(0.56)	1.20
Plant and machinery	5,212,699	(2,755,883)	2,456,816	3.21	(1.70)	1.51
Motor vehicles	386,270	(259,720)	126,550	0.24	(0.16)	0.08
Office furniture and computer equipment	1,534,514	(1,115,760)	418,754	0.95	(0.69)	0.26
Capital work in progress	423,421	–	423,421	0.26	–	0.26
	<b>10,407,945</b>	<b>(5,032,437)</b>	<b>5,375,508</b>	<b>6.42</b>	<b>(3.11)</b>	<b>3.31</b>

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR
Movement summary - 31 March 2010					
Buildings and leasehold improvements	2,031,034	196,015	–	(277,080)	1,949,969
Plant and machinery	1,903,850	1,122,071	–	(569,106)	2,456,815
Motor vehicles	236,743	5,999	–	(116,191)	126,551
Office furniture and computer equipment	644,030	176,177	(109,290)	(292,165)	418,752
Capital work in progress	330,197	397,406	(304,182)	–	423,421
	<b>5,145,854</b>	<b>1,897,668</b>	<b>(413,472)</b>	<b>(1,254,542)</b>	<b>5,375,508</b>

	Opening carrying value	Additions	Write off and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.25	0.12	–	(0.17)	1.20
Plant and machinery	1.17	0.69	–	(0.35)	1.51
Motor vehicles	0.15	0.00	–	(0.07)	0.08
Office furniture and computer equipment	0.40	0.11	(0.07)	(0.18)	0.26
Capital work in progress	0.20	0.25	(0.19)	0.00	–
	<b>3.17</b>	<b>1.17</b>	<b>(0.25)</b>	<b>(0.77)</b>	<b>3.31</b>

During the current period, assets with a carrying value of R 109,290 were written off from the fixed asset register.

No items of property, plant and equipment were held under instalment sale agreements as at 31 March 2010.

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	ZAR	ZAR	ZAR	Rs. Crore	Rs. Crore	Rs. Crore
At 31 March 2009						
Buildings and leasehold improvements	2,655,026	(623,992)	2,031,034	1.42	(0.33)	1.09
Plant and machinery	4,090,628	(2,186,778)	1,903,850	2.18	(1.17)	1.01
Motor vehicles	380,272	(143,529)	236,743	0.20	(0.08)	0.12
Office furniture and computer equipment	2,033,242	(1,389,212)	644,030	1.09	(0.74)	0.35
Capital work in progress	330,197	–	330,197	0.18	–	0.18
	<b>9,489,365</b>	<b>(4,343,511)</b>	<b>5,145,854</b>	<b>5.07</b>	<b>(2.32)</b>	<b>2.75</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

	Opening carrying value	Additions	Disposal of Division	Write off and disposals during the year	Depreciation	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR	ZAR
Movement summary – 31 March 2009						
Buildings and leasehold improvements	2,137,442	–	154,122	–	(260,529)	2,031,035
Plant and machinery	1,331,085	121,117	926,541	(35,335)	(439,558)	1,903,850
Motor vehicles	230,045	–	140,000	(18,946)	(114,358)	236,741
Office furniture and computer equipment	1,043,887	(121,117)	108,299	(8,494)	(378,544)	644,031
Capital work in progress	–	–	330,197	–	–	330,197
	<b>4,742,459</b>	<b>–</b>	<b>1,659,159</b>	<b>(62,775)</b>	<b>(1,192,989)</b>	<b>5,145,854</b>

	Opening carrying value	Additions	Disposal of Division	Write off and disposals during the year	Depreciation	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
Buildings and leasehold improvements	1.14	–	0.08	–	(0.14)	1.08
Plant and machinery	0.71	0.06	0.49	(0.02)	(0.23)	1.02
Motor vehicles	0.12	–	0.07	(0.01)	(0.06)	0.13
Office furniture and computer equipment	0.56	(0.06)	0.06	–	(0.20)	0.34
Capital work in progress	–	–	0.18	–	–	–
	<b>2.53</b>	<b>–</b>	<b>0.89</b>	<b>(0.03)</b>	<b>(0.64)</b>	<b>2.75</b>

During the current period, assets with a carrying value of R 9,356 were written off from the fixed asset register.

No items of property, plant and equipment were held under instalment sale agreements as at 31 March 2009.

### 3 INTANGIBLE ASSETS

	Opening carrying Amount	Impairment	Disposal of division	Additions during the year	Closing carrying value
	ZAR	ZAR	ZAR	ZAR	ZAR

Movement summary - 31 March 2010

Brands	35,330,489	(2,000,000)	–	–	33,330,489
	<b>35,330,489</b>	<b>(2,000,000)</b>	<b>–</b>	<b>–</b>	<b>33,330,489</b>

Movement summary – 31 March 2009

Brands	21,564,879	–	–	13,765,610	35,330,489
	<b>21,564,879</b>	<b>–</b>	<b>–</b>	<b>13,765,610</b>	<b>35,330,489</b>

	Opening carrying Amount	Impairment	Disposal of division	Additions during the year	Closing carrying value
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore

Movement summary - 31 March 2010

Brands	21.78	(1.23)	–	–	20.55
	<b>21.78</b>	<b>(1.23)</b>	<b>–</b>	<b>–</b>	<b>20.55</b>

Movement summary – 31 March 2009

Brands	11.51	–	–	7.35	18.86
	<b>11.51</b>	<b>–</b>	<b>–</b>	<b>7.35</b>	<b>18.86</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

The Company has classified its intangible assets as having indefinite useful lives. This conclusion is supported by the fact that the Company is expected to be able to use the brands for the foreseeable future and that the typical product life cycles for the brands, acquired against public information on estimates of useful lives, indicate that the intangible asset has an indefinite period of foreseeable usage.

This is further supported by the stability of the pharmaceutical and complimentary medicine industry and the strong demand in markets within which these products are marketed and sold.

Detailed impairment testing is performed for the indefinite-life intangible assets annually. The impairment review process is as follows:

Each period and whenever impairment indicators are present, management calculate the fair value of the asset and record an impairment loss for the excess of the carrying value over the fair value, if any.

The fair value is generally measured as the net present value of projected cash flows. In addition, a re-evaluation of the remaining useful life of the asset is performed to determine whether continuing to characterise the asset as having an indefinite life is, appropriate.

The recoverable amounts have been determined based on a value-in-use calculation. The calculation uses a free cash flow model that discounts the free cash flow available from profit after tax generated by the intangible asset. If the resulting net present value exceeds the carrying value of the intangible asset, the intangible asset is not impaired. However, if the resulting net present value is less than the carrying value, impairment is provided for.

	2010 ZAR	2009 ZAR	2009 Rs. Crore	2008 Rs. Crore
<b>4 DEFERRED TAXATION</b>				
Unlisted shares at cost less impairment losses				
Opening balance	4,900,570	5,827,988	3.02	3.11
Charged to income statement - continuing operations	3,077,228	(927,418)	1.90	(0.50)
<b>Closing balance</b>	<b>7,977,798</b>	<b>4,900,570</b>	<b>4.92</b>	<b>2.62</b>
Comprising of the following:				
Property, plant and equipment	62,610	84,606	0.04	0.05
Prepayments	–	132,039	–	(0.07)
Operating leases	166,327	106,492	0.10	0.06
Employee benefit accruals	447,329	421,473	0.28	0.23
Provision for doubtful debts	134,277	94,317	0.08	0.05
Other provisions	1,649,399	1,325,888	1.02	0.70
Tax losses carried forward	5,517,856	2,999,833	3.40	1.60
<b>Tax assets</b>	<b>7,977,798</b>	<b>4,900,570</b>	<b>4.92</b>	<b>2.62</b>

Deferred tax assets are recognised as management believe that they will be recovered through use. The statutory tax rate of 28% was used to compute deferred taxation balances.

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
<b>5 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	16,596,329	14,747,827	10.23	7.87
Other receivables	1,600,678	590,583	0.99	0.32
	<b>18,197,007</b>	<b>15,338,410</b>	<b>11.22</b>	<b>8.19</b>

At 31 March 2010 trade receivables are shown net of an allowance for doubtful debts of R1 491 473 (2009: R915 624) arising from the unlikely recoverability of trade receivables and purchase rebates likely to be paid to customers of R 4,445,759 (2009: R 2,695,133).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>6 INVENTORIES</b>				
Raw materials	6,697,519	6,856,274	4.13	3.66
Work in progress	618,151	787,590	0.38	0.42
Finished goods	5,552,253	3,787,064	3.42	2.02
	12,867,923	11,430,928	7.93	6.10
Provision for obsolescence	(592,887)	(869,345)	0.37	0.46
	<b>12,275,036</b>	<b>10,561,583</b>	<b>7.57</b>	<b>5.64</b>

The Company identifies specific items and product lines that are slow moving or that should be discontinued and provides 100% for those items.

No inventories were held on consignment or in transit at year end (2009: Rnil).

Inventories with a value of R 773,972 (2009: R nil) were written down to net realisable value during the period under review.

	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>7 SHARE CAPITAL AND SHARE PREMIUM</b>				
Authorised				
600 000 ordinary shares of 1 cent each	6,000	6,000	–	–
Issued				
500 000 ordinary shares of 1 cent each	<b>5,000</b>	<b>5,000</b>	–	–

The unissued share capital is under the control of the directors of the Company until the next annual general meeting of the shareholders

**Share premium**

Share premium	<b>22,863,735</b>	<b>22,863,735</b>	<b>14.10</b>	<b>12.21</b>
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	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>8 TRADE AND OTHER PAYABLES</b>				
Trade payables	6,063,894	9,479,862	3.74	5.06
Other payables	11,645,570	7,604,061	7.18	4.06
	<b>17,709,464</b>	<b>17,083,923</b>	<b>10.92</b>	<b>9.12</b>

	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>9 PROVISIONS</b>				
Provisions are made up as follows:				
Leave pay provision	455,538	395,608	0.28	0.21
Bonus provision	1,142,067	1,109,654	0.70	0.59
	<b>1,597,605</b>	<b>1,505,262</b>	<b>0.98</b>	<b>0.80</b>

	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>10 AMOUNTS DUE TO HOLDING COMPANY</b>				
Marico South Africa Consumer Care (Proprietary) Limited	55,852,421	55,497,550	34.44	29.63
	<b>55,852,421</b>	<b>55,497,550</b>	<b>34.44</b>	<b>29.63</b>

The loan is unsecured and is repayable in five years. The loan bears interest at the 6 month London Interbank Offered Rate (LIBOR), plus 2.5% and the interest is payable at each financial quarter

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**11 (LOSS)/PROFIT BEFORE FINANCE COSTS AND TAXATION**

Profit before finance costs and taxation is stated after taking the following into account:

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>ZAR</b>	<b>ZAR</b>	<b>Rs. Crore</b>	<b>Rs. Crore</b>
Loss on disposal of property, plant & equipment	96,412	26,521	0.06	0.01
Auditor's remuneration				
- audit fees	458,962	381,795	0.28	0.20
Depreciation	1,254,542	1,192,989	0.77	0.64
Fixed assets written off	109,290	9,356	0.07	-
Impairment losses	2,773,972	13,700,000	1.71	7.31
- intangible assets (Note 3)	2,000,000	-	1.23	-
- inventory (Note 7)	773,972	-	0.48	-
- investments	-	13,700,000	-	7.31
Lease rentals	2,466,248	2,464,651	1.52	1.32
Staff costs (including director emoluments- refer note 16)	5,139,832	18,064,744	3.17	9.64
Number of employees	117	111		

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>ZAR</b>	<b>ZAR</b>	<b>Rs. Crore</b>	<b>Rs. Crore</b>
<b>12 NET FINANCE COSTS</b>				
Interest on bank account	245,765	1,170,315	0.15	0.62
Finance income	245,765	1,170,315	0.15	0.62
Interest on shareholder loans -				
Marico South Africa Consumer Care	(5,777,622)	(3,044,526)	(3.56)	(1.63)
Finance cost	(5,777,622)	(3,044,526)	(3.56)	(1.63)
Net finance cost	(5,531,857)	(1,874,211)	(3.41)	(1.01)

**13 INCOME TAX EXPENSE**

Deferred tax - current year	1,918,129	263,594	1.18	0.14
Deferred tax – prior year under provision	1,159,099	663,824	0.71	0.35
	<u>3,077,228</u>	<u>927,418</u>	<u>1.89</u>	<u>0.49</u>
Reconciliation of tax rate	%	%		
Current period as a percentage of profit	44.22	84.75		
Adjusted for:				
- Permanent differences	0.44	3.91		
- Prior period adjustments	(16.66)	(60.66)		
- Rate change	-	-		
Statutory tax rate	<u>28.00</u>	<u>28.00</u>		

No provision has been made for current taxation as the Company has an estimated taxation loss of R 19,706,631 (2009: R10,713,690). The Company recognises deferred tax assets to the extent that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Refer to note 6 for further details.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

**14 FINANCIAL RISK MANAGEMENT**

The Company's financial instruments consist primarily of deposits with banks, trade accounts receivable and payable and the loan from the holding company. Financial instruments are carried at fair value or amounts that approximate fair value

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
<b>Financial assets</b>				
<b>Loans and receivables</b>	<b>21,121,063</b>	<b>26,949,983</b>	<b>13.02</b>	<b>14.39</b>
Trade and other receivables	18,197,007	15,338,410	11.22	8.19
Cash equivalents	2,924,056	11,611,573	1.80	6.20
Financial liabilities				
<b>Financial liabilities measured at amortised cost</b>	<b>73,561,885</b>	<b>72,581,473</b>	<b>45.36</b>	<b>38.75</b>
Interest bearing liabilities	55,852,421	55,497,550	34.44	29.63
Trade and other payables	17,709,464	17,083,923	10.92	9.12

In the normal course of operations, the Company is exposed to credit risk, interest rate risk, liquidity risk and foreign currency risk.

**Foreign Currency Risk Management**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company i.e. South African Rand.

There are no foreign currency denominated monetary assets and liabilities at the reporting date.

**Interest rate risk management**

The Company's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

The Company adopts a policy of regularly reviewing interest rate exposure, and maintains floating rate borrowings.

**Interest rate sensitivity**

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant in the case of variable rate borrowings. A 50 basis point increase or decrease has been used, as this represents management's assessment of the possible change in interest rates

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
If interest rates had been 50 basis points higher and all other variables held constant, the Company's profit before tax would decrease by:	<b>264,642</b>	<b>219,430</b>	<b>0.16</b>	<b>0.12</b>

**Credit Risk Management**

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables comprise a wide customer base.

At period end there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, grossed up for any allowances for losses.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

The Company grants credit of 30 days to its customers. The analysis of trade receivables which are past due at period end is as follows:

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
Not past due	10,919,734	7,051,686	6.73	3.76
Past due by 30 days	6,239,484	7,495,620	3.85	4.00
Past due by 60 days	3,182,864	2,929,387	1.96	1.56
Past due by 90 days	2,191,479	1,586,233	1.35	0.85
	<b>22,533,561</b>	<b>19,062,926</b>	<b>13.89</b>	<b>10.17</b>
Less: Provisions	(5,937,232)	(4,315,099)	(3.66)	(2.30)
Total trade receivables	<b>16,596,329</b>	<b>14,747,827</b>	<b>10.23</b>	<b>7.87</b>

**Liquidity risk management**

Prudent liquidity risk management implies maintaining sufficient cash resources and ensuring the availability of funding through an adequate amount of credit facilities. The Company aims to maintain flexibility by monitoring cash flow forecast, good working capital management and ensuring adequate borrowing facilities are maintained.

The following table details the Company's remaining contractual maturity of its non-derivative financial liabilities.

	Weighted Average Interest rate	Within 1 year	1-2 years	Greater than 2 years	Total
<b>2010</b>					
Trade and other payables	–	17,709,464	–	–	17,709,464
Interest bearing shareholder loan	8.19%	–	–	55,852,421	55,852,421
		<b>17,709,464</b>	<b>–</b>	<b>55,852,421</b>	<b>73,561,885</b>
<b>2009</b>					
Trade and other payables		17083923	–	–	17,083,923
Interest bearing shareholder loan	5.50%	–	–	55,497,550	55,497,550
		<b>17,083,923</b>	<b>–</b>	<b>55,497,550</b>	<b>72,581,473</b>

**15 RELATED PARTIES****(a) Identification of related parties**

At 31 March 2010, the holding company of Marico South Africa (Proprietary) Limited is Marico South Africa Consumer Care (Proprietary) Limited, a company incorporated in South Africa, which holds 100% of the company's issued share capital. The ultimate holding company of Marico South Africa (Proprietary) Limited is Marico Limited, a listed company incorporated in India.

The directors are listed in the directors report.

Transactions with related parties are conducted on an arm's length basis and on the same payment terms as those transacted with third parties. None of the balances are secured.

The company has a related party relationship with its holding company and subsidiary.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2010

	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>(b) Transactions with related parties</b>				
The following transactions were carried out by the company with related parties:				
a) Interest expense incurred				
Marico South Africa Consumer Care (Proprietary) Limited	5,777,622	3,044,526	3.56	1.63
Dividend received				
CPF International (Proprietary) Limited	–	13,700,000	–	7.31
b) Amounts due to related parties				
Amounts due to holding company				
Marico South Africa Consumer Care (Proprietary) Limited	(55,852,421)	(55,497,550)	(34.44)	(29.63)

**16 DIRECTORS EMOLUMENTS**

Directors emoluments paid during the current financial period amounted to R 5,139,832 (2009: R 3,632,330). All Company directors are also directors of the holding company.ny.

	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>17 COMMITMENTS</b>				
Capital commitments				
- Plant and equipment	39,022	828,497	0.02	0.44
Operating lease commitments				
- Within 1 period	1,426,831	1,346,000	0.88	0.72
- Between 2 & 5 periods	6,616,349	8,043,000	4.08	4.29
- Over 5 periods	1,909,422	299,000	1.18	0.16
	<b>9,952,602</b>	<b>9,688,000</b>	<b>6.14</b>	<b>5.17</b>

The Company leases certain factory facilities under sub-operating leases. The leases run for a period of up to 10 years, with an option to renew the lease after that date.

In determining lease classification, the Company evaluated whether both land and buildings were clearly operating leases or finance leases. Firstly, land title does not pass and because rentals paid to the landlord for the buildings are increased to market-related rates at regular intervals, and because the Company does not participate in the residual value of the building, it was judged that substantially all the risks and rewards of the building are with the landlord. Based on these factors it was concluded that the leases were operating leases

# CPF INTERNATIONAL (PTY) LIMITED

**Board of Directors**

John Richard Mason

Noel Colin Kersley Vinay

**Registered Office**

1474 South Coast Road,  
Mobeni 4052

**Auditors**

Deloitte & Touche

**Bankers**

Standard Bank of South Africa Ltd

**Legal Advisors**

Adams & Adams - Patent and Trademark Attorneys  
Deneys Reitz, Commercial attorneys



## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors are responsible for the maintenance of adequate accounting records and for the preparation and integrity of the annual financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The company's independent external auditors have audited the financial statements and their report appears on page 2.

The directors are also responsible for the Company's system of internal control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability for assets, to record all liabilities, and to prevent and detect misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The financial statements have been prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for the foreseeable future.

### **DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements as set out on pages 3 to 12 were approved by the directors on 25 June 2010 and are signed on its behalf by:

**NCK Vinay**  
Financial Director

**JR Mason**  
Managing Director

## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBER OF CPF INTERNATIONAL (PROPRIETARY) LIMITED

### **Report on the Financial Statements**

We have audited the annual financial statements of CPF International (Proprietary) Limited which comprise the directors' report, the statement of financial position as at 31 March 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 12.

### **Directors' Responsibility for the Financial Statements**

The director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. 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 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 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 present fairly, in all material respects, the financial position of the Company as at 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

### **Deloitte & Touche**

Per M Luthuli

Registered Auditor

June 17, 2010

## **DIRECTORS' REPORT**

**31 March 2010**

The directors have pleasure in presenting their report which forms part of the audited financial statements of CPF International (Proprietary) Limited ("the Company") for the year ended 31 March 2010.

### **Nature of business**

There were no transactions during the year. The Company is dormant.

### **Dividends**

No dividends have been declared during the year (2009: R13 700 000).

### **Share Capital**

There have been no changes to the Company's authorised or issued share capital during the year.

### **Subsequent Events**

The directors are not aware of any matter or circumstance which is material to the financial affairs of the Company, which has occurred between the balance sheet and date of approval of the annual financial statements, that has not been otherwise dealt with in the annual financial statements.

### **Going concern**

The Company is not trading and has no external debt as at 31 March 2010.

### **Secretary**

No secretary has been appointed. KPMG performs various secretarial duties for the Company.



**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended 31 March 2010			
		2010	2009	2010	2009
		ZAR	ZAR	Rs. Crore	Rs. Crore
<b>Revenue</b>		–	<b>13,700,000</b>	–	7.31
Gross profit		–	13,700,000	–	7.31
Operating profit/ (loss)		–	13,700,000	–	7.31
<b>Profit before taxation</b>		–	<b>13,700,000</b>	–	<b>7.31</b>
Taxation	3	–	–	–	–
<b>Profit after taxation</b>		–	<b>13,700,000</b>	–	<b>7.31</b>
Other comprehensive income		–	–	–	–
<b>Total comprehensive income</b>		–	<b>13,700,000</b>	–	<b>7.31</b>

**NCK Vinay**  
Financial Director

**JR Mason**  
Managing Director

**CASH FLOW STATEMENT**

Note	Year ended 31 March 2010			
	2010	2009	2010	2009
	ZAR	ZAR	Rs. Crore	Rs. Crore
<b>Cash generated by operations</b>	–	13,700,000	–	7.31
Net cash inflow from operating activities	–	13,700,000	–	7.31
<b>Cash flow form investing activities</b>				
Dividends paid	–	(13,700,000)	–	(7.31)
<b>Net cash outflow from investing activities</b>	–	(13,700,000)	–	(7.31)
<b>Net decrease in cash and cash equivalents</b>	–	–	–	–
Cash and cash equivalents at beginning of period	–	–	–	–
<b>Cash and cash equivalents at end of period</b>	–	–	–	–

**NCK Vinay**  
Financial Director

**JR Mason**  
Managing Director

Note: The exchange rate used to convert ZAR to Rs. 6.166 / ZAR (Rs. 5.339 / ZAR)

**STATEMENT OF CHANGES IN EQUITY**

	For the year ended March 31, 2010		
	Share capital ZAR	Accumulated loss ZAR	Total ZAR
<b>Balance at 31 December 2008</b>	100	(100)	–
Total comprehensive income	–	13,700,000	13,700,000
Dividends declared	–	(13,700,000)	(13,700,000)
<b>Balance at 31 March 2009</b>	100	(100)	–
Total comprehensive income	–	–	–
<b>Balance at 31 March 2010</b>	100	(100)	–

	For the year ended March 31, 2010		
	Share capital Rs. Crore	Accumulated loss Rs. Crore	Total Rs. Crore
<b>Balance at 31 December 2008</b>	–	–	–
Total comprehensive income	–	8.45	8.45
Dividends declared	–	(8.45)	(8.45)
<b>Balance at 31 March 2009</b>	–	–	–
Total comprehensive income	–	–	–
<b>Balance at 31 March 2010</b>	–	–	–

**NCK Vinay**  
Financial Director

**JR Mason**  
Managing Director

**NOTES TO THE ANNUAL FINANCIAL STATEMENT**

for the year ended March 31, 2010

**1 ACCOUNTING POLICY**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

The significant accounting policies are set out below. The accounting policies are consistent with the prior year.

**1.1 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

During the current year, the company adopted the following accounting statement:

**IAS 1 Presentation of Financial Statements**

This statement requires the Company to present all non-owner changes in equity (that is, 'comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It also requires the Company to present a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement.

At the date of authorisation of the financial statements, the following statements and interpretations were issued but not yet effective:

**New International Financial Reporting Interpretations:**

IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

**New International Financial Reporting Standards:**

IFRS 9	Financial Instruments	1 January 2013
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**Amended International Accounting Standards:**

IFRS 2 Share-based Payment	Scope of IFRS 2 and revised IFRS 3	1 July 2009
IFRS 5 Non-current Assets	Disclosures of non-current assets	1 January 2010
Held for Sale and Discontinued	(or disposal groups) classified as held for sale or discontinued operations	
IFRS 8 Operating Segments	Disclosure of information about segment assets	1 January 2010
IAS 1 Presentation of Financial Statements	Current/non-current classification of convertible instruments	1 January 2010
IAS 7 Statement of Cash Flows	Classification of expenditures on unrecognised assets	1 January 2010
IAS 17 Leases	Classification of leases of land and buildings	1 January 2010
IAS 18 Revenue	Determining whether an entity is acting as a principal or as an agent guidance	None – amendment to non-mandatory
IAS 36 Impairment of Assets	Unit of accounting for goodwill impairment test	1 January 2010

**Amended International Accounting Standards:**

IAS 38 Intangible Assets	Additional consequential amendments arising from revised IFRS 3	1 July 2009
	Measuring the fair value of an intangible asset acquired in a business combination	
IAS 39 Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives	1 January 2010
	Scope exemption for business combination contracts	
	Cash flow hedge accounting	



**NOTES TO THE ANNUAL FINANCIAL STATEMENT**

For the year ended March 31, 2010

IFRIC 9 Reassessment of Embedded Derivatives	Scope of IFRIC 9 and revised IFRS 3	1 July 2009
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IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Amendment to the restriction on the entity the entity that can hold hedging instruments	1 July 2009
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On 16 April 2009, the International Accounting Standards Board (IASB) issued its latest Standard, titled Improvements to IFRS's – a collection of amendments to International Financial Reporting Standards

The Company is in the process of evaluating the effect of these new standards and interpretations but they are not expected to have a significant impact on the results or disclosures

**1.2 Financial instruments***Share capital*

Ordinary share capital is classified as equity and carried at original cost. Incremental costs directly attributable to the issue of new shares or options are recognised as a deduction from equity.

**1.3 Impairment***Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics

All impairment losses and reversals of impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

*Non-financial assets*

The carrying amounts of the Company's non-financial 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 lives or that are not yet available for use, the recoverable amount is estimated at each reporting date

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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 asset

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

**1.4 Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

## NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the financial year ended March 31, 2010

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised

### 2. Share capital

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
Authorised share capital				
1000 ordinary shares of ZAR 1 each	1000	1000	0.01	0.01
Issued Share Capital				
100 ordinary shares of ZAR 1 each	100	100	-	-

The unused share capital is under the control of the directors of the Company until the next annual general meeting of the shareholders.

### 3. Taxation

No provision has been made for current taxation as the Company has an estimated tax loss nil (2009: ZAR 1,728). The Company recognises deferred tax assets to the extent that future taxable profits will be available against which the unutilised tax losses can be utilised.

### 4. Related parties

The holding company of CPF International (Proprietary) Limited is Marico South Africa (Proprietary) Limited, a company incorporated in South Africa, which holds 100% (2009: 100%) of the Company's ordinary share capital

The directors are listed in the report of the directors.

Transactions with related parties are conducted on an arm's length basis and on the same payment terms as those transacted with third parties. None of the balances are secured.

The Company has a related party relationship with its holding company, directors and key management personnel

	2010 ZAR	2009 ZAR	2010 Rs. Crore	2009 Rs. Crore
<b>Transactions with holding company</b>				
a) Sale of intangible asset (Caivil brand)				
Marico South Africa (Proprietary) Limited	-	13,700,000	-	7.31
b) Dividends declared				
Marico South Africa (Proprietary) Limited	-	(13,700,000)	-	(7.31)



