

Subsidiary Financials

Balance Sheet as at March 31, 2007

(before appropriation of result)

	Note	March 31, 2007 GBP	March 31, 2007 Rs. Lac	March 31, 2006 GBP	March 31, 2006 Rs. Lac
Financial Fixed Assets					
Investments	(4)	5000000	4262.76	5000000	3881.24
Loans	(5)	3220000	2745.22	3220000	2499.52
		8220000	7007.98	8220000	6380.76
Current Assets					
Interest receivable loan	(5)	36708	31.30	79519	61.73
Interest receivable Fixed time deposit		3436	2.93	–	–
Prepaid expenses		1758	1.50	–	–
Cash at banks		251377	214.31	214593	166.58
		293279	250.04	294112	228.30
Current Liabilities					
Interest payable on loans	(6)	32927	28.07	28117	21.83
Suppliers		8173	6.97	–	–
Accrued expenses		3868	3.30	9081	7.05
		44968	38.34	37198	28.87
Net current assets/(liabilities)		248311	211.70	256914	199.43
Total assets less current liabilities		8468311	7219.68	8476914	6580.19
less: Long-term liabilities					
Loans from related companies	(6)	3000000	2557.66	3000000	2328.74
Net assets		5468311	4662.02	5476914	4251.44
Shareholders' equity					
Issued and fully paid share capital	(7)	13677	11.66	13677	10.62
Share premium		5593480	4768.73	5593480	4341.93
Retained earnings/(Accumulated deficit)		(130243)	(111.04)	–	–
Net result for the year		(8603)	(7.33)	(130243)	(101.10)
		5468311	4662.02	5476914	4251.44
See accompanying notes to the financial statements					

Profit and Loss Account April 1, 2006 through March 31, 2007

	April 1, 2006 through March 31, 2007 GBP	April 1, 2006 through March 31, 2007 Rs. Lac	October 19, 2005 through March 31, 2006 GBP	October 19, 2005 through March 31, 2006 Rs. Lac
Financial result				
Interest income loans group companies	211954	180.70	79519	61.73
Interest income bank	7251	6.18	1638	1.27
Interest expenses loans group companies	(3190)	(2.72)	(39072)	(30.33)
Interest expenses loans bank	(185116)	(157.82)	(72027)	(55.91)
Capital tax	-	-	(14069)	(10.92)
Currency exchange result	(13159)	(11.22)	(46432)	(36.04)
	<u>17740</u>	<u>15.12</u>	<u>(90443)</u>	<u>(70.21)</u>
General and administrative expenses				
Professional fees	(24090)	(20.54)	(17865)	(13.87)
Bank charges	(1102)	(0.94)	(659)	(0.51)
Bank commissions	-	-	(30000)	(23.29)
Other expenses	(1151)	(0.98)	(888)	(0.69)
Recharged expenses	-	-	9612	7.46
	<u>(26343)</u>	<u>(22.46)</u>	<u>(39800)</u>	<u>(30.89)</u>
Result before taxation	(8603)	(7.33)	(130243)	(101.10)
Corporation Tax expense	-	-	-	-
NET RESULT FOR THE PERIOD	<u>(8603)</u>	<u>(7.33)</u>	<u>(130243)</u>	<u>(101.10)</u>

See accompanying notes to the financial statements

Notes to the Financial Statements

1. Group Affiliation and Principal Activities

Godrej Netherlands B.V. (the Company) is a limited liability company incorporated in Amsterdam on October 19, 2005. The principal activities of the Company are the holding and financing of group companies; to render guarantees and to bind the company or assets of the company on behalf of enterprises and companies with which the company forms a group; to render services to enterprises and companies.

2. Consolidation

The company has the following direct participating interests:

- Godrej Consumer Products (UK) Ltd., U.K. 100%.

The Company has decided to utilize the exemptions as provided by Article 408 Book 2, title 9 of the Dutch Civil Code. Consequently no consolidation accounts will be prepared.

The accompanying financial statements have been prepared in accordance with principles of accounting generally accepted in The Netherlands.

3. Significant Accounting Policies

a) General

Assets and liabilities are stated at face value unless indicated otherwise.

b) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into GBP at rates of exchange applicable at the balance sheet date.

Transactions in foreign currencies are translated at the rates in effect at the dates of transactions.

Resulting exchange gains or losses are accounted for in the Profit and Loss Account.

c) Financial Fixed Assets

The investments in subsidiaries are stated at historical acquisition cost and a provision is made for any permanent impairment in the value of the investment.

d) Recognition of Income and Expense

Dividends from investments are recorded as income in the year they are declared.

Other income and expenses, including taxation, are recognized and reported on an accrual basis.

4. Investment

Represents the investment in:

Godrej Consumer Products (UK) Ltd.

March 31 2007 GBP	March 31 2007 Rs. Lac	March 31 2006 GBP	March 31 2006 Rs. Lac
5000000	4262.76	5000000	3881.24
5000000	4262.76	5000000	3881.24

The investment is stated at historical cost value.

Notes to the Financial Statements

5. Loans and interest receivable from group companies

	March 31, 2007		March 31, 2007		March 31, 2006		March 31, 2006	
	Loan GBP	Interest GBP	Loan Rs. Lac	Interest Rs. Lac	Loan GBP	Interest GBP	Loan Rs. Lac	Interest Rs. Lac
Godrej Consumer Products (UK) Ltd.	3220000	36708	2745.22	31.30	3220000	79519	2499.52	61.73

6. Loans and interest payable

	March 31, 2007		March 31, 2007		March 31, 2006		March 31, 2006	
	Loan GBP	Interest GBP	Loan Rs. Lac	Interest Rs. Lac	Loan GBP	Interest GBP	Loan Rs. Lac	Interest Rs. Lac
ICICI Bank, London	3,000,000	32,927	2,557.66	28.07	3,000,000	28,117	2,328.74	21.83

7. Shareholders' equity

	Issued Share capital GBP	Share premium GBP	Retained earnings GBP	Result for the year GBP	Total GBP	Issues share capital Rs. Lac	Share premium Rs. Lac	Retained earnings Rs. Lac	Result for the year Rs. Lac	Total Rs. Lac
Opening balance	13,677	5,593,480	–	(130,243)	5,476,914	11.66	4,768.73	–	(111.04)	4,669.35
Appropriation of result	–	–	(130,243)	130,243	–	–	–	(111.04)	111.04	–
Result for the year	–	–	–	(8,603)	(8,603)	–	–	–	(7.33)	(7.33)
Closing balance	13,677	5,593,480	(130,243)	(8,603)	5,468,311	11.66	4,768.73	(111.04)	(7.33)	4,662.02

The Company has an authorized share capital of Euro 90,000 divided into 900 shares of Euro 100 each.

At balance sheet date a total of 200 shares have been issued and fully paid up.

8. Taxation

The corporate tax is based on the fiscal results, taking into account that certain income and expenses as reported in the profit and loss account are exempted from taxation.

9. Directors and Employees

The Company has two directors. No loans or advances have been given to or received from the director.

The Company has no supervisory directors.

10. The values in Indian Rupees are converted at the exchange rate on 31.03.2007 : 1 GBP = Rs. 85.2552 (Previous year : 1 GBP = Rs. 77.62).

Directors' Report for the 18 month period ended 31st March, 2007

The Directors present their report and the financial statements for the 18 months period ended 31st March, 2007. The Company was incorporated on 24th October, 2005 and this is its first Directors' report and financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

At the time of this report the Directors are aware:

- there is no relevant audit information of which the auditors are unaware and ;
- that they have taken all the steps they ought to have to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

FINANCIAL INSTRUMENTS

The Company's principal financial instruments include financial assets and liabilities such as receivables and payables arising directly from its investment activity. The Company has not been party to derivative transactions.

Liquidity Risk

The Company has a strong cash flow of dividends from its investee company which enables it to manage its liquidity risk. In addition, the Company can draw on the funds of its parent to meet its medium-term capital and funding obligations and to meet any unforeseen obligations and opportunities.

Interest Rate Risk

The Company's borrowings presently accrue variable rates of interest linked to LIBOR.

Credit Risk

Credit risk associated with cash balances is managed by transacting with banks with high quality credit rating.

REVIEW OF BUSINESS

Financial Highlights

The results for the period and financial position of the Company for the 18 months period ended 31st March, 2007 are as shown in the annexed financial statements. The key highlights for the period are as follows : Dividend received : £ 5,360,914 Profit after tax : £ 4,794,822

Business Highlights

The primary source of income for the Company is the dividend received from the investee company Keyline Brands Limited.

Business strategy

The Company's primary objective is to manage its investment in Keyline Brands Limited to the benefit of the shareholders of the Parent Company. The Company has not been involved in trading activities during the period under review.

Dividends

The Directors do not recommend the payment of a final dividend. No interim dividend was paid during the year.

DIRECTORS

The Directors who served are as follows. They had no beneficial interest in the Company's issued share capital during the period.

A B Godrej

D E Mistry

H K Press (resigned on 9th January, 2007)

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political and charitable donations were made during the period.

AUDITORS

A resolution to reappoint Mazars LLP as auditors to the Company will be proposed at the ensuing Annual General Meeting.

This report was approved by the Board on 24th April, 2007 and signed on its behalf.

D. E. Mistry

Director

Independent Auditors' Report

TO THE MEMBER OF GODREJ CONSUMER PRODUCTS (UK) LIMITED

We have audited the financial statements of Godrej Consumer Products (UK) Limited for the 18 months period ended 31st March, 2007 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act, 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluate the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st March, 2007 and of its profit for the 18 months period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act, 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Chartered Accountants
and Registered Auditors
24th April, 2007

Balance Sheet as at March 31, 2007

	Note	March 31, 2007 GBP	March 31, 2007 Rs. Lac	March 31, 2006 GBP	March 31, 2006 Rs. Lac
Fixed Assets					
Fixed Asset Investments	(4)	17055722	14540.89	17055722	13239.47
		17055722	14540.89	17055722	13239.47
Current Assets					
Debtors	(5)	157601	134.36	85007	65.99
Cash at bank		17482	14.90	76999	59.77
		175083	149.27	162006	125.76
Creditors					
Amounts falling due within one year	(6)	(1459316)	(1244.14)	(8578570)	(6659.10)
NET CURRENT LIABILITIES		(1284233)	(1094.88)	(8416564)	(6533.34)
TOTAL ASSETS LESS CURRENT LIABILITIES		15771489	13446.01	8639158	6706.13
CREDITORS					
Amounts falling due after more than one year	(7)	(5976667)	(5095.42)	–	–
		9794822	8350.60	8639158	6706.13
CAPITAL AND RESERVES					
Called up Share Capital	(8)	5000000	4262.76	5000000	3881.24
Profit and Loss Account		4794822	4087.84	3639158	2824.89
		9794822	8350.60	8639158	6706.13

The financial statements were approved by the board on 24th April 2007 and signed on its behalf.

D. E. Mistry

Director

Profit and Loss Account for the year ended 31st March, 2007

	Note	Year ended March 31, 2007 GBP	Year ended March 31, 2007 Rs. Lac	5 months ended March 31, 2006 GBP	5 months ended March 31, 2006 Rs. Lac
Administrative expenses		60130	51.26		
OPERATING LOSS	(1)	(60130)	(51.26)	–	
Income from other fixed asset investments	(2)	1438394	1226.31	3922520	3044.66
Interest receivable		4403	3.75		
Interest payable		(469612)	(400.37)	(283361)	(219.94)
		913055	778.43	3639159	2824.72
Tax on ordinary activities	(3)	242608	206.84		
PROFIT FOR THE FINANCIAL YEAR/PERIOD		1155663	985.26	3639159	2824.72

All amounts relate to continuing operations.

There were no recognized gains or losses for the period other than those included in the Profit and Loss Account.

The profit for the period has been calculated on the historical cost basis.

The only movement in the Shareholder's Funds is the retention of profit as shown in the Profit and Loss Account.

For consolidation purposes, the financial have been presented for the 12 month period ended March 31, 2007.

Notes to the Financial Statements

Accounting Policies

Basis of preparation of financial statements

Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company was incorporated on 24th October 2005. As such the first accounting reference period is the 12 month period ending 31st March 2007 accounts have been prepared for the 12 months period ended 31st March, 2007.

Exemption applied

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The company is a wholly owned subsidiary of Godrej Netherlands B.V. incorporated in Amsterdam, Netherlands. The results of the company are included in the consolidated accounts of Godrej Consumer Products Limited, incorporated in India. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a Cash Flow Statement.

Godrej Consumer Products Limited and all companies within the group and the subsidiaries of the company are considered to be related parties of the Company as defined under Financial Reporting Standard No. 8. The Company is exempt under the terms of Financial Reporting No 8 from disclosing transactions with other group companies.

Fixed Asset Investment

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

(1) Operating Loss

The operating loss is stated after charging:

	12 months ended 31st March, 2007		5 months ended 31st March, 2006	
	GBP	Rs. lac	GBP	Rs. lac
Auditor's remuneration				
-audit services	5000	4.26	—	—
(2) Income from Fixed Asset Investments				
Dividend Received	1438394	1226.31	3922520	3,044.85
Staff Costs				
The company employed no employee, and no remuneration was paid to directors, during the period.				
(3) Taxation				
Analysis of tax charge in the period				
Group Relief Receivable	(242608)	(206.84)	—	—
Total Current Tax	(242608)	(206.84)	—	—
(4) Fixed Asset Investments				
Investments in Subsidiary Undertakings				
Cost				
Additions -				
29,156 Shares of £1 each in Keyline Brands Limited	17055722	14540.89	17055722	13238.65
At 31st March 2007	17055722	14540.89	17055722	13238.65

Notes to the Financial Statements

	12 months ended 31st March, 2007		5 months ended 31st March, 2006	
	GBP	Rs. lac	GBP	Rs. lac
(5) Debtors				
Due within one year				
Amounts owed by group undertakings	157601	134.36	85,007	65.98
	<u>157601</u>	<u>134.36</u>	<u>85,007</u>	<u>65.98</u>
(6) Creditors				
Amounts falling due within one year				
Short Term Borrowing				
Loans from Banks - Secured	1100000	937.81	5225000	4055.65
Loans from Group Undertakings - Unsecured	268333	228.77	3220000	2499.36
	<u>1368333</u>	<u>1166.58</u>	<u>8445000</u>	<u>6555.01</u>
Accruals and deferred income	90983	77.57	133570	103.68
	<u>1459316</u>	<u>1244.14</u>	<u>8578570</u>	<u>6658.69</u>
(7) Amounts falling due after more than one year				
Loans from Banks - Secured	3025000	2578.97	–	–
Loans from Group Undertakings - Unsecured	2951667	2516.45	–	–
	<u>5976667</u>	<u>5095.42</u>	<u>–</u>	<u>–</u>

Maturity profile of borrowings

	Loans from banks secured	Loans from group undertakings unsecured	Total	
	GBP	GBP	GBP	Rs. lac
Due in less than a year	1100000	268333	1368333	1166.58
Between 2 & 5 years	3025000	2951667	5976667	5095.42
	<u>4125000</u>	<u>3220000</u>	<u>7345000</u>	<u>6261.99</u>
Less:				
Amounts falling due within 1 year	1100000	268333	1368333	1166.58
Amounts falling due after more than 1 year	3025000	2951667	5976667	5095.42

The Company has availed a secured loan from ICICI Bank (UK) Limited at a variable interest rate of LIBOR plus 180 bps, with LIBOR being reset at quarterly intervals. All the assets of the Company have been charged in favour of the bank to secure the aforesaid borrowing. The shares of the Company have been pledged in favour of the bank.

The Company has also availed of an unsecured term loan from its parent company, Godrej Netherlands B.V. at a variable interest rate of LIBOR plus 125 bps, with LIBOR being reset at quarterly intervals.

(8) Share Capital

Authorised, allotted, called up and fully paid
5000000 Ordinary Shares of £ 1 each

5000000	4263	5000000	3881.00
---------	------	---------	---------

Ultimate Parent Undertaking and Controlling Party

The immediate parent company of Godrej Consumer Products (UK) Limited is Godrej Netherlands B.V.

The Company of the smallest and largest group to include Godrej Consumer Products (UK) Limited in its consolidated financial statements is Godrej Consumer Products Limited incorporated in India, which has been promoted by Godrej & Boyce Manufacturing Company Limited and the Godrej family.

(9) The values in Indian Rupees are converted at the exchange rate on 31.03.2007 : 1 GBP = Rs. 85.2552 (Previous year : 1GBP = Rs. 77.62).

Directors' Report for the year ended 31 March, 2007

The Directors present their report and the financial statements for the year ended 31st March, 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

At the time of this report the Directors are aware:

- there is no relevant audit information of which the auditors are unaware and ;
- that they have taken all the steps they ought to have to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of the marketing and distribution of personal care products.

FINANCIAL INSTRUMENTS

The Company's principal financial instruments include financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. The Company has not been party to derivative transactions.

Liquidity Risk

The Company holds cash and short-term investments, which enable it to manage its liquidity risk. In addition, the Company can draw on the funds of its parent to meet its medium-term capital and funding obligations and to meet any unforeseen obligations and opportunities.

Interest Rate Risk

The Company does not have material interest rate risks.

Credit Risk

Investments of cash surpluses are made through banks which must fulfill credit rating criteria approved by the Board and regulated by the Bank of England.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where appropriate.

Treasury operations and financial instruments

The Company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Company's activities.

REVIEW OF BUSINESS

Financial Highlights

The results for the period and financial position of the company are as shown in the annexed financial statements. The key highlights for the year are as follows :

Sales :

Total Brand Sales : £ 19.0 million (grew by 16% over the corresponding period of the previous year)

Domestic Sales : £ 17.7 million (grew by 15% over the corresponding period of the previous year)

Export Sales : £ 1.3 million (grew by 29% over the corresponding period of the previous year)

Profits :

Profit before tax : £ 2.7 million (as compared to £ 2.4 million for the corresponding period of the previous year) Profit after tax: £1.9 Million (as compared to £1.6 million for the corresponding period of the previous year)

Economic Value Added (EVA) :

Performance as well as key business decisions are measured on the EVA metric i.e. the Economic Value Added. EVA is the surplus of the Net Operating Profits after Tax (NOPAT) generated by the business over the Weighted Average Cost of Capital (WACC).

The EVA generated by the business for the year amounted to £1.5 million as compared to £1.4 million for the corresponding period of the previous year. WACC has been calculated at 10% to arrive at the Economic Value Added.

Business Highlights

During the year, Brian Boyce retired as Managing Director (31st July, 2006). Andrew Fearn (formerly Sales Director) was appointed to the position of Managing Director with effect from 1 August 2006. Sujith Wijesena (formerly Finance Director) was appointed to the position of Chief Operating Officer with effect from 1st August, 2006. Victoria Wyatt, Executive Director, retired on 31st July, 2006. Both Brian Boyce and Victoria Wyatt continue to act as non-executive directors.

Despite the difficult trading conditions and tough competition faced by the UK retailers, the Company's brands have enjoyed strong growth, demonstrating the inherent strengths of the brands owned and distributed by the Company. Sales for the 12 months ending 31st March, 2007 grew by 16% over the corresponding period in the previous year led by increased investment in two of the company's flagship brands, Bio-Oil and Cuticura. Export sales remained at a satisfactory level despite strengthening of the British Pound against US Dollar and Euro during the last 12 months. The Company's profits improved during the year but have shown a small reduction as a percentage to the total sales from the previous year mainly due to a change in the product sales mix and increased investment in brand advertising and promotional activities. The profitability, however, continues to remain high.

Business Strategy and Company Policies

The Company's strategy is to maximise opportunities available to the niche personal care brands it owns and distributes on behalf of its principals. A key feature of the Company's strategy has been establishing and successfully managing long term relationships with its customers, suppliers and principal brand owners. The Company supplies niche branded personal care products to major retail chains in the UK whose demand is for a reliable and continuous supply of products. The Company's systems and procedures are designed to ensure the highest level of service to these major customers whilst enabling the Company to seize opportunities available elsewhere for new business and from smaller customers. The Company values long term mutually beneficial commercial relationships with its customers, suppliers and principal brand owners.

The Company's systems are designed to discharge its financial and other regulatory obligations to stakeholders in a timely and efficient manner. The Company continuously evaluates and analyses the environment it operates in and takes necessary steps to ensure that insurable risks are adequately insured in order to minimise any potential adverse effect to stakeholders in the event of an unexpected incident.

The Company continuously evaluates its operations and invests in people, systems and equipment in order to improve and maintain its operational capabilities. During the period under review the Company invested in barcode scanning technology in its customer order checking and delivery document production and in the distribution centre. These improvements are expected to deliver efficiencies in terms of accurate fulfillment of customer orders and improve the profitability of the Company's overall business during the coming year.

The Company takes its environmental and social responsibilities seriously and the Company is a subscribed member to Valpak packaging waste recycling scheme. The Directors of the Company value providing a safe working environment to its staff and has implemented a comprehensive fire safety and health and safety at work procedures. Members of the senior management team are responsible for maintaining these schemes at a satisfactory level and continuous training programmes are offered to staff members at regular intervals.

During the year under review the Company has invested heavily in developing the infrastructure and the personnel of the Company. Particular emphasis has been given to appointing a new Senior Management Team, in particular new divisions have been created in the areas of Business Development and Technical Services. The Company has focused in putting improved systems in place to deal with issues relating to production, product development and regulatory compliance.

Business Risk Management and Mitigation

The Company operates in a competitive market place where major retailers have a significant market share for personal care products. The Directors believe that the Company currently has a wide customer base with customers in multiple retail, discount drugstore, pharmacy and duty free sectors.

The Company sources its products from its own manufacturing subsidiary, Inecto Manufacturing Limited, from third party suppliers as well as principal brand owners. The Company believes that its own branded personal care products can be sourced from an alternative supplier in the event an existing supplier is unable to fulfill the Company's orders.

The Company also has continuing arrangements and contracts with its principal brand owners whose products the Company distributes in the UK. The Directors of the Company continuously monitor and proactively take necessary steps to ensure that these arrangements are conducted as per agreements with the principal brand owners.

The Company is operating in a changing regulatory environment. The Company is an active member of Cosmetics Toiletry Perfumery Association (CTPA) thus enabling the Company to keep up-to-date with changes in the applicable regulations. In order to mitigate the risks arising out of failure to meet changing applicable regulations, the Company regularly engages external consultants with expert knowledge in technical matters related to personal care products. These experts are engaged to advise the Directors with recommendations on regulatory compliance.

The Company owns niche personal care brands that have been available in the UK market place for decades and in certain instances for over a century. The Company believes that these brands have a loyal consumer base. The Company has a process for new product development and re-launches to ensure that the Company's products continuously meet changing customer needs.

The Company is part of the Godrej group whose group internal audit and assurance department evaluates the company's operations and procedures in order to ensure that the Company has adequate procedures in place to manage its risks. During the year, the Group Audit and Assurance department visited the company twice. The processes that were evaluated include customer service, payments, warehouse operations, purchases, marketing, payroll and administration.

Future Developments

The Directors believe that the Company is well positioned to exploit growth opportunities in the UK and export markets. The Company is currently looking at opportunities to expand its export sales for its owned branded personal care products. Particularly, the Company is actively looking to develop export business in countries where the other Godrej Group companies have ongoing trading activities. The Company continuously reviews its product offerings at regular intervals and works closely with its major customers in identifying growth opportunities for the Company. The Company also continues to explore inorganic growth opportunities as well as new distribution contracts within the area of personal care products.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £ 1,892,086 (2006 : £ 1,772,503) . The Directors do not recommend the payment of a final dividend. Interim dividends of £ 1,523,401 (2006 :£ 3,837,512) were paid during the year.

DIRECTORS

The Directors who served are as follows. They had no beneficial interest in the Company's issued share capital or the issued share capital of its parent, Godrej Consumer Products (UK) Limited, during the year.

A. B. Godrej	B. M. Boyce (non executive since 1st August, 2006)
N. B. Godrej	V. D. Wyatt (non executive since 1st August, 2006)
T. A. Dubash	A. P. Fearn
H. K. Press	S. N. Wijesena
J. R. Anklesaria	

CHARITABLE CONTRIBUTIONS

During the year the Company made charitable donations of £1,429 (2006: £6,813) to persons ordinarily resident in the United Kingdom.

AUDITORS

A resolution to reappoint Mazars LLP as auditors to the Company will be proposed at the ensuing Annual General Meeting.

This report was approved by the board on 24th April, 2007 and signed on its behalf.

A. P. Fearn

Managing Director

Independent Auditors' Report

TO THE MEMBER OF KEYLINE BRANDS LIMITED

We have audited the financial statements of Keyline Brands Limited for the year ended 31st March 2007 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act, 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st March 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act, 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP
Chartered Accountants
and Registered Auditors
24th April 2007

Balance Sheet for the year ended 31st March, 2007

	Note	Year ended March 31, 2007 GBP	Year ended March 31, 2007 Rs. Lac	15 months ended March 31, 2006 GBP	15 months ended March 31, 2006 Rs. Lac
FIXED ASSETS					
Intangible fixed assets	10	406502	346.56	483536	375.32
Tangible fixed assets	11	48794	41.60	93615	72.66
Investments	12	100856	85.98	100856	78.28
		556152	474.15	678007	526.27
CURRENT ASSETS					
Stocks	13	1433537	1222.16	1324662	1028.20
Debtors	14	3619418	3085.73	2797738	2171.60
Cash at bank and in hand		1963724	1674.17	1290756	1001.88
		7016679	5982.07	5413156	4201.69
CREDITORS					
Amounts falling due within one year	15	(3799557)	(3239.31)	(2686574)	(2085.32)
NET CURRENT ASSETS		3217122	2742.76	2726582	2116.37
		3773274	3216.90	3404589	2642.64
CAPITAL AND RESERVES					
Called up share capital	16	29156	24.86	29156	22.63
Share premium account	17	11321	9.65	11321	8.79
Profit and Loss Account	17	3732797	3182.40	3364112	2611.22
SHAREHOLDER'S FUND - Equity		3773274	3216.90	3404589	2642.64

Profit and Loss Account for the year ended 31st March, 2007

	Note	Year ended March 31, 2007 GBP	Year ended March 31, 2007 Rs. Lac	15 months ended March 31, 2006 GBP	15 months ended March 31, 2006 Rs. Lac
TURNOVER	1,2	19569325	16683.83	19701732	15292.48
Cost of Sales		(11531344)	(9831.05)	(11597310)	(9001.83)
GROSS PROFIT		8037981	6852.78	8104422	6290.65
Selling and distribution costs	3	(4352812)	(3710.99)	(4093556)	(3177.42)
Administrative expenses		(1006974)	(858.50)	(2098150)	(1628.58)
OPERATING PROFIT	4	2678195	2283.30	1912716	1484.65
Income from other fixed asset investments		–	–	29176	22.65
Profit on sale of investment	12	–	–	551647	428.19
Interest receivable		56533	48.20	156771	121.69
Interest payable	7	(11)	(0.01)	(94)	(0.07)
		2734717	2331.48	2650216	2057.10
Tax on ordinary activities	8	(842631)	(718.39)	(877713)	(681.28)
PROFIT FOR THE FINANCIAL YEAR/PERIOD		1892086	1613.10	1772503	1375.82

Notes to the Financial Statements

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

- Accounting Convention

The financial statements have been prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

- Exemption applied

The Company is exempt from the requirement to prepare group account by virtue of Section 248 of the Companies Act, 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The company is a wholly owned subsidiary of Godrej Consumer Products (UK) Limited. The results of the Company are included in the consolidated accounts of Godrej Consumer Products Limited, incorporated in India. Consequently, the Company is exempt under the terms of Financial Reporting Standard No. 1 publishing a Cash Flow Statement.

Godrej Consumer Products Limited, its subsidiaries and all companies within the group are considered to be related parties of the Company as defined under Financial Reporting Standard No. 8. The Company is exempt under the terms of Financial Reporting No. 8 from disclosing transactions with other group companies.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the Company, exclusive of Value Added Tax and trade discounts.

1.3 Intangible fixed assets and amortisation

Intangible fixed assets, comprising brands, are stated at cost less amortisation. Amortisation is provided in order to write off each asset over its estimated useful life on a straight line basis over 10 years.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis

Improvements to property	-	straight line over 5 years
Plant and machinery	-	straight line over 3 to 10 years
Motor vehicles	-	straight line over 3 to 5 years
Office equipment	-	straight line over 3 to 4 years

1.5 Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

1.6 Impairment to intangible and tangible assets

Intangible and tangible fixed assets are reviewed to ensure that their carrying value in the financial statements does not exceed their recoverable amount. Where the carrying value does exceed the recoverable amount, an impairment loss is recognised in the accounts.

1.7 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Profit and Loss Account on the straight line basis over the lease term.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.9 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the Balance Sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets.

1.10 Pensions

The Company contributes to a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

Notes to the Financial Statements

	Year ended March 31, 2007 GBP	Year ended March 31, 2007 Rs. Lac	15 months ended March 31, 2006 GBP	15 months ended March 31, 2006 Rs. Lac
2. TURNOVER				
The whole of the turnover is attributable to the one principal activity of the Company				
A geographical analysis of turnover is as follows				
United Kingdom	18265513	15572.26	18480816	14344.81
Europe	910436	776.19	722596	560.88
Rest of the World	393376	335.37	498320	386.80
	19569325	16683.83	19701732	15292.48
3. SELLING AND DISTRIBUTION COSTS				
Marketing costs	342781	292.24	480490	372.96
Selling costs	623599	531.65	638063	495.26
Advertising and promotion	3386432	2887.10	2975003	2309.20
	4352812	3710.99	4093556	3177.42
4. OPERATING PROFIT				
The operating profit is stated after charging				
Amortisation of Intangibles	77034	65.68	96294	74.74
Depreciation of tangible fixed assets:				
- owned by the Company	37220	31.73	63341	49.17
Auditor's remuneration				
- audit services	18813	16.04	15000	11.64
- non-audit services (taxation)	5400	4.60	15200	11.80
Operating lease rentals				
- other operating leases	537551	458.29	333355	258.75
Loss/(gain) on foreign exchange transactions	1837	1.57	(33801)	(26.24)
5. STAFF COSTS				
Staff costs, including director's remuneration, were as follows				
Wages and Salaries	918988	783.48	1907053	1480.25
Social security costs	88295	75.28	219869	170.66
Other pension costs	38494	32.82	87202	67.69
	1045777	891.58	2214124	1718.60
The average monthly number of employees, including directors during the year was				
Selling and marketing	15	14		
Administration	17	14		
	32	28		
6. DIRECTORS' REMUNERATION				
Emoluments	218747	186.49	1311167	1017.73
Company pension contributions to money purchase pension scheme				
During the year retirement benefits were accruing to 4 Directors (2006 : 5) in respect of money purchase pension scheme, GBP 5410 (Rs. 4.61 lac) being attributable to the highest paid director (2006 : GBP 12500 : Rs. 9.70 lac)				
The highest paid director received remuneration of GBP 92366 (Rs. 78.74 lac) (2006 : GBP 737500 : Rs. 572.44 lac)				
Directors' remuneration includes an amount of GBP Nil (Rs. Nil) (2006 : GBP 60000 : Rs. 46.57 lac) paid to director as compensation for loss of office.				
7. INTEREST PAYABLE				
On bank loans and overdrafts	11	0.01	94	0.07

Notes to the Financial Statements

	Year ended March 31, 2007 GBP	Year ended March 31, 2007 Rs. Lac	15 months ended March 31, 2006 GBP	15 months ended March 31, 2006 Rs. Lac	
8. TAXATION					
Analysis of tax charge in the period					
Current tax					
UK corporation tax charge on profits of the period	684317	583.41	732168	568.31	
Group relief payable	157601	134.36	85007	65.98	
Adjustments in respect of prior periods	(1038)	(0.88)	66738	51.80	
Total current tax	840880	716.89	883913	686.09	
Deferred tax					
Origination and reversal of timing differences	713	0.61	(6200)	(4.81)	
Adjustments in respect of prior periods	1038	0.88	–	–	
Tax on profit on ordinary activities	842631	718.39	877713	681.28	
9. DIVIDENDS					
On equity shares					
Interim dividends paid aggregating GBP 52.25 (2006 : GBP 131.62) per share	1,523,401	1,298.78	3837513	2978.68	
10. INTANGIBLE FIXED ASSETS					
Cost		GBP	Rs. Lac		
At 1st April 2006 and 31st March 2007		1061452	904.94		
Amortisation					
At 1st April 2006		577916	448.58		
Charge for the year		77034	65.68		
At 31st March 2006		654950	514.25		
Net book value					
At 31st March 2007		406502	346.56		
At 31st March 2006		483536	375.32		
11. TANGIBLE FIXED ASSETS					
	Improvements to property GBP	Plant and Machinery GBP	Motor Vehicles GBP	Office Equipment GBP	Total GBP
Cost					
At 1st April 2006	25952	80261	68819	150025	325057
Additions	–	–	–	8205	8205
Disposals	–	–	(54041)	–	(54041)
At 31st March 2007	25952	80261	14778	158230	279221
Depreciation					
At 1st April 2006	25952	39038	39633	126818	231442
Charge for the year	–	14186	8460	14574	37220
On disposals	–	–	(38235)	–	(38235)
At 31st March 2007	25952	53224	9858	141392	230427
Net book value					
At 31st March 2007	–	27037	4920	16838	48794
At 31st March 2006	–	41223	29185	23207	93615

Notes to the Financial Statements

	Improvements to property Rs. Lac	Plant and Machinery Rs. Lac	Motor Vehicles Rs. Lac	Office Equipment Rs. Lac	Total Rs. Lac
Cost					
At 1st April 2006	22.13	68.43	58.67	127.90	277.13
Additions	–	–	–	7.00	7.00
Disposals	–	–	(46.07)	–	(46.07)
At 31st March 2007	22.13	68.43	12.60	134.90	238.06
Depreciation					
At 1st April 2006	22.13	33.28	33.79	108.12	197.32
Charge for the year	–	12.09	7.21	12.43	31.73
On disposals	–	–	(32.60)	–	(32.60)
At 31st March 2007	22.13	45.38	8.40	120.54	196.45
Net book value					
At 31st March 2007	–	23.05	4.19	14.36	41.60
At 31st March 2006	–	32.00	22.65	18.01	72.66

12. FIXED ASSET INVESTMENTS

	Shares in group undertaking GBP	Listed Investment GBP	Total GBP
Cost			
At 1st April 2006	100106	750	100856
At 31st March 2007	100106	750	100856
	Shares in group undertaking Rs. Lac	Listed Investments Rs. Lac	Total Rs. Lac
Cost			
At 1st April 2006	77.70	0.58	78.28
At 31st March 2007	85.35	0.64	85.98

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value

Subsidiary undertakings

The following were subsidiary undertakings of the Company as on 31st March 2007

Cosmetics That Care Limited (under voluntary winding up)	100% owned subsidiary
Inecto Limited	100% owned subsidiary
Cuticura Laboratories Limited (under voluntary winding up)	100% owned subsidiary
Inecto Manufacturing Limited	100% owned subsidiary

Shares in Keygen Laboratories were disposed of during the 15 months ended 31st March 2006 for GBP 551,998 resulting in a net gain of GBP 551,647 during that period.

The aggregate of the share capital and reserves as at 31st March 2007 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves GBP	Profit GBP	Aggregate of share capital and reserves Rs. Lac	Profit Rs. Lac
Cosmetics That Care Limited	100	–	0.09	–
Inecto Limited	2	–	0.00	–
Cuticura Laboratories Limited	2	–	0.00	–
Inecto Manufacturing Limited	337322	18687	287.58	15.93

Notes to the Financial Statements

	Year ended March 31, 2007 GBP	Year ended March 31, 2007 Rs. Lac	15 months ended March 31, 2006 GBP	15 months ended March 31, 2006 Rs. Lac
13. STOCKS				
Finished goods and goods for resale	1433537	1222.16	1324662	1028.20
The difference between purchase price or production cost of stocks and their replacement cost is not material.				
14. DEBTORS				
Due within one year				
Trade debtors	3519829	3000.83	2646622	2,054.31
Other debtors	4330	3.69	3410	2.65
Amounts owned by group undertakings	5985	5.10	–	–
Deferred tax	4449	3.79	6200	4.81
Prepayments and accrued income	84825	72.32	141505	109.84
	3619418	3085.73	2797737	2,171.60
15. CREDITORS				
Amounts falling due within one year				
Bank loans and overdrafts	5204	4.44	2628	2.04
Trade creditors	2295158	1956.74	938071	728.13
Amounts owed to group undertakings	340233	290.07	170950	132.69
Corporation tax	219409	187.06	246131	191.05
Social security and other taxes	193768	165.20	217125	168.53
Other creditors	8319	7.09	60863	47.24
Accruals and deferred income	737466	628.72	1050804	815.63
	3799577	3239.31	2686574	2085.32
16. SHARE CAPITAL				
Authorised				
100,000 Ordinary shares of GBP 1 each	100000	85.26	100000	77.62
Allotted, called up and fully paid				
29,156 Ordinary shares of GBP 1 each	29156	24.86	29156	22.63
17. RESERVES				
Share Premium account				
At 1st April 2006 and 31st March 2007	11321	9.65	11321	8.79
Profit and Loss Account				
Retained Profit brought forward	3364112	2868.07	5,429122	4214.08
Retained Profit for the financial period	1892086	1613.10	1772503	1375.82
Dividends - On Equity Shares	(1523401)	(1298.78)	(3837513)	(2978.68)
Retained Profit carried forward	3732797	3182.40	3364112	2611.22
18. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUND				
Profit for the period	1892086	1613.10	1772503	1375.82
Dividends	(1523401)	(1298.78)	(3837513)	(2978.68)
	368685	314.32	(2065010)	(1602.86)
Opening shareholder's funds	3909584	3333.12	5974594	4637.48
Closing shareholder's funds	4278269	3647.44	3909584	3034.62

Notes to the Financial Statements

19. PENSION COMMITMENTS

The Company contributes to a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to GBP 38494 (Rs. 32.82 lac)(2006 : GBP 87202 : Rs. 67.68 lac). There were no outstanding contributions payable at the year end (2006 : Nil).

20. OPERATING LEASE COMMITMENTS

At 31st March 2007 the Company had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings		Motor Vehicles	
	2007 GBP	2006 GBP	2007 GBP	2006 GBP
Expiry date- Within 1 year	-	-	5,516	-
Between 2 and 5 years	216400	98208	37357	17907
More than 5 years	196208	-	-	-

	Land & Buildings		Motor Vehicles	
	2007 Rs. Lac	2006 Rs. Lac	2007 Rs. Lac	2006 Rs. Lac
Expiry date - Within 1 year	-	-	4.70	-
Between 2 and 5 years	184.49	76.23	31.85	13.90
More than 5 years	167.28	-	-	-

21. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The fixed and current assets of the Company and its subsidiaries are charged in favour of ICICI Bank (UK) Limited, who are lenders to Godrej Consumer Products (UK) Limited and its parent Company Godrej Netherlands B.V. The shares of the Company and its subsidiaries are also pledged in favour of the bank.

22. CONTROLLING PARTIES

The immediate parent company of Keyline Brands Limited is Godrej Consumer Products (UK) Limited. The company of the smallest and largest group to include Keyline Brands Limited in its consolidated financial statements is Godrej Consumer Products Limited incorporated in India, which has been promoted by Godrej & Boyce Manufacturing Company Limited and the Godrej family. Therefore, Godrej and Boyce Manufacturing Company Limited and the Godrej family are the ultimate controlling parties.

23. DEFERRED TAXATION

At 1st April 2006

Recognition of asset

Charge for the year

Prior year adjustment

At 31st March 2007

The deferred tax asset is made up as follows

Origination and reversal of timing differences

Fixed assets timing differences

	Year ended March 31, 2007 GBP	Year ended March 31, 2007 Rs. Lac	15 months ended March 31, 2006 GBP	15 months ended March 31, 2006 Rs. Lac
At 1st April 2006	6,200	4.81	-	-
Recognition of asset	-	-	6,200	5.29
Charge for the year	(761)	(0.65)	-	-
Prior year adjustment	(990)	(0.84)	-	-
At 31st March 2007	4,449	3.32	6,200	5.29
The deferred tax asset is made up as follows				
Origination and reversal of timing differences	901	0.77	-	-
Fixed assets timing differences	3,548	3.02	6,200	4.81
	4,449	3.79	6,200	4.81

24. The values in Indian Rupees are converted at the exchange rate on 31.03.2007 : 1 GBP = Rs. 85.2552 (Previous year : 1GBP = Rs. 77.62).

Directors' Report

The directors present their report and the financial statements for the year ended 31 March 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

At the time of this report the directors are aware:

- there is no relevant audit information of which the auditors are unaware and
- that they have taken all the steps they ought to have to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was that of the manufacture of branded cosmetic products.

FINANCIAL INSTRUMENTS

The Company's principal financial instruments include financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. The Company has not been party to derivative transactions.

Liquidity Risk

The Company has a strong cash flow from its sales to its parent company, viz. Keyline Brands Limited, which enables it to manage its liquidity risk. In addition, the company can draw on the funds of its parent to meet its medium-term capital and funding obligations and to meet any unforeseen obligations and opportunities.

Interest Rate Risk

The Company does not have material interest rate risks.

Credit Risk

Cash surpluses are maintained with banks which must fulfil credit rating criteria approved by the Board and regulated by the Bank of England. The Company is a captive manufacturer for its parent company and this minimizes credit risk.

REVIEW OF BUSINESS

The results for the period and financial position of the Company are as shown in the annexed financial statements. The performance during the year 2006-07 was subdued on account of a variety of reasons which included the increased cost pressures as well as lower productivity on account of technical issues on the production front. With a view to tackling the issues effectively and to improve productivity in the future, the Company now has the services of a technical expert who is spearheading the improvement efforts on the production front. Additional investment in plant and machinery has also been made.

During the year, Brian Boyce and Victoria Wyatt resigned from the Board, on conclusion of the transition period post the acquisition of the parent company by the Godrej Group. Andrew Fearn and Sujith Wijesena have been appointed as Directors with effect from 11th August 2006.

FUTURE DEVELOPMENTS

The Directors believe that the Company is well positioned to support its parent company in its endeavour to exploit growth opportunities in the UK and export markets. During the year under review the Company has invested heavily in developing its manufacturing capabilities. The Company has focused on putting improved systems in place to deal with issues related to production.

Cost pressures arising in particular from increases in raw material prices are however expected to become an issue at a time when they are difficult to pass on and yet remain competitive.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £18,687 (2006: £53,858).

The directors do not recommend the payment of a final dividend (2006: £nil).

DIRECTORS

The directors who served are as follows. They had no interest in the Company's issued share capital during the year.

H. K. Press

D. E. Mistry

J. R. Anklesaria

A. P. Fearn (appointed on 11 August 2006)

S. N. Wijesena (appointed on 11 August 2006)

B. M. Boyce (resigned on 11 August 2006)

V. Dryden Wyatt (resigned on 11 August 2006)

The directors appointed during the year had no beneficial interest in the issued share capital of Keyline Brands Limited on the date of appointment or at any time during the year.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable donations were made during the year (2006 : £nil).

AUDITORS

A resolution to reappoint Mazars LLP as auditors to the Company will be proposed at the ensuing Annual General Meeting.

This report was approved by the board on 24 April 2007 and signed on its behalf.

A. P. Fearn

Director

Independent Auditors' Report

TO THE MEMBER OF INECTO MANUFACTURING LIMITED

We have audited the financial statements of Inecto Manufacturing Limited for the year ended 31st March, 2007 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, as body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act, 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed,

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluate the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st March, 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act, 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP
Chartered Accountants
And Registered Auditors
24th April, 2007

Balance Sheet as at 31st March, 2007

	Note	Year ended 31st March 2007		15 Months ended 31st March 2006	
		GBP	Rs. Lac	GBP	Rs. Lac
FIXED ASSETS					
Tangible fixed assets	6	65153	55.55	56531	43.88
CURRENT ASSETS					
Stocks	7	316052	269.45	327682	254.36
Debtors	8	222427	189.63	134685	104.55
Cash at bank		26583	22.66	44864	34.83
		565062	481.74	507231	393.74
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(292775)	(249.61)	(245126)	(190.28)
NET CURRENT ASSETS		272287	232.14	262105	203.46
TOTAL ASSETS LESS CURRENT LIABILITIES		337440	287.69	318636	247.34
PROVISIONS FOR LIABILITIES AND CHANGES					
Deferred taxation	10	(117)	(0.10)	—	—
		337323	287.59	318636	247.34
CAPITAL AND RESERVES					
Called up share capital	11	100000	85.26	100000	77.62
Profit and Loss Account	12	237323	202.33	218636	169.72
SHAREHOLDERS' FUNDS - Equity	13	337323	287.59	318636	247.34

The financial statements were approved by the board on 24th April 2007 and signed on its behalf.

A P Fearn
Director

Profit and Loss Account for the year ended 31st March, 2007

	Note	Year ended 31st March 2007		15 Months ended 31st March 2006	
		GBP	Rs. Lac	GBP	Rs. Lac
TURNOVER	1,2	2016727	1719.36	2847746	2210.56
Cost of sales		1955453	1667.13	(2643438)	(2051.96)
GROSS PROFIT		61274	52.24	204308	4262.52
Administrative expenses		(37032)	(31.57)	(128532)	(99.77)
OPERATING PROFIT	3	24242	20.67	75776	4162.75
Interest receivable		2455	2.09	1231	0.96
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		26697	22.76	77007	4163.70
Tax on ordinary activities	5	(8010)	(6.83)	(23149)	(17.97)
PROFIT FOR THE FINANCIAL PERIOD		18687	15.93	53858	4145.73

All amounts relate to continuous operations.

There were no recognised gains or losses for the period other than those included in the Profit and Loss Account.

The profit for the period has been calculated on the historical cost basis

Notes to the Financial Statements for the year ended 31st March, 2007

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

- Accounting Convention

The financial statements have been prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

- Exemption applied

The Company is a wholly owned subsidiary of Keyline Brands Limited which in turn is owned by Godrej Consumer Products Limited, incorporated in India. The results of the Company are included in the consolidated accounts of Godrej Consumer Products Limited. Consequently, the Company is exempt under the terms of Financial Reporting Standard No.1 from publishing a Cash Flow Statement.

Godrej Consumer Products Limited, its subsidiaries and all companies within the group are considered to be related parties of the Company as defined under Financial Reporting Standard No. 8. The Company is exempt under the terms of Financial Reporting No. 8 from disclosing transactions with other group companies.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the Company, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Property Improvements	- 20% straight line
Plant and machinery	- 10-20% straight line
Fixtures and fittings	- 25% straight line
Computer equipment	- 25-33% straight line

1.4 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowances for obsolete and slow moving stocks. Costs includes all direct costs and an appropriate proportion of fixed and variable overheads.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.5 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the Balance Sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.6 Pensions

The Company contributes to a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

2 TURNOVER

The whole of the turnover is attributable to the one principal activity of the Company.

All of the Company's sales is made in the United Kingdom.

Notes to the Financial Statements for the year ended 31st March, 2007

	Year ended 31st March 2007		15 Months ended 31st March 2006	
	GBP	Rs Lac	GBP	Rs Lac
3 OPERATING PROFIT				
The operating profit is stated after charging :				
Depreciation of tangible fixed assets :				
- owned by the Company	19582	16.69	28828	22.38
Auditors' remuneration				
- Audit services	4800	4.09	7500	5.82
- Non Audit services (taxation)	1800	1.53	1000	0.78
4 STAFF COSTS				
Staff costs were as follows :				
Wages and salaries	315615	269.08	484346	375.97
Social security cost	28846	24.59	47256	36.68
Other pension costs	19974	17.03	21002	16.30
	<u>364435</u>	<u>310.70</u>	<u>552604</u>	<u>428.96</u>

The average monthly number of employees during the year was 17 (2006 : 17) all engaged in manufacturing.

During the period, no director received any emoluments, had any money or other assets receivable under long-term incentive schemes, or received Company contributions to money purchase pension schemes (2005 : £ nil). Some of the directors who are also directors in Keyline Brands Limited receive remuneration from that company.

5 TAXATION

Analysis of tax charge in the period

Current tax (see note below)

UK corporation tax charge on profits of the period

Adjustments in respect of prior periods

Total current tax

Deferred tax

Origination and reversal of timing differences

Prior year adjustments

Total deferred tax

Tax on profit on ordinary activities

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 30% (2006: 30%)

Effects of :

Capital allowances in excess of depreciation

Adjustments to tax charge in respect of prior periods

Current tax charge for year (see note above)

There were no factors that may affect future tax charges.

7488	6	24342	18.90
(1370)	(1.17)	1022	0.79
<u>6118</u>	<u>5.22</u>	<u>25364</u>	<u>19.69</u>
1892	1.61	(1319)	(1.02)
-	-	(896)	(0.70)
<u>1892</u>	<u>1.61</u>	<u>(2215)</u>	<u>(1.72)</u>
<u>8010</u>	<u>6.83</u>	<u>23149</u>	<u>17.97</u>
26697	22.76	77007	59.78
8009	6.83	23102	17.93
(520)	(0.44)	1240	0.96
(1371)	(1.17)	1022	0.79
<u>6118</u>	<u>5.22</u>	<u>25364</u>	<u>19.69</u>

Notes to the Financial Statements for the year ended 31st March, 2007

6 TANGIBLE FIXED ASSETS

	Property Improvements GBP	Plant and machinery GBP	Fixtures and fittings GBP	Computer equipment GBP	Total GBP
Cost					
At 1st April 2006	88809	203676	3399	9352	305236
Additions	–	28474	–	–	28474
At 31st March 2007	88809	232150	3399	9352	333710
Depreciation					
At 1st April 2006	88809	147145	3399	9352	248705
Change for the year	–	19852	–	–	19852
At 31st March 2007	88809	166997	3399	9352	268557
Net book value					
At 31st March 2007	–	65153	–	–	65153
At 31st March 2006	–	56531	–	–	56531

	Property Improvements Rs Lac	Plant and machinery Rs Lac	Fixtures and fittings Rs Lac	Computer equipment Rs Lac	Total Rs Lac
Cost					
At 1st April 2006	75.71	173.64	2.90	7.97	260.23
Additions	–	24.28	–	–	24.28
At 31st March 2007	75.71	197.92	2.90	7.97	284.51
Depreciation					
At 1st April 2006	75.71	125.45	2.90	7.97	212.03
Change for the year	–	16.92	–	–	16.92
At 31st March 2007	75.71	142.37	2.90	7.97	228.96
Net book value					
At 31st March 2007	–	55.55	–	–	55.55
At 31st March 2006	–	43.88	–	–	43.88

	Year ended 31st March 2007		15 Months ended 31st March 2006	
	GBP	Rs Lac	GBP	Rs Lac
7 STOCKS				
Raw materials	144566	123.25	160258	124.40
Components and packaging	182815	155.86	170007	131.97
Provision for obsolescence	(11329)	(9.66)	(2583)	(2.01)
	<u>316052</u>	<u>269.45</u>	<u>327682</u>	<u>254.36</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

8 DEBTORS

Due within one year

Trade debtors	4377	3.73	5605	4.35
Amounts owned by parent company	182528	155.61	85839	66.63
Deferred tax asset	–	–	1775	1.38
Other debtors	35522	30.28	41466	32.19
	<u>222427</u>	<u>189.63</u>	134685	104.55

Notes to the Financial Statements for the year ended 31st March, 2007

	Year ended 31st March 2007		15 Months ended 31st March 2006	
	GBP	Rs Lac	GBP	Rs Lac
9 CREDITORS				
Trade creditors	193988	165.38	149675	116.18
Corporate tax	2417	2.06	24342	18.90
Social security and other taxes	60936	51.95	30563	23.72
Other creditors	35434	30.21	40546	31.47
	<u>292775</u>	<u>249.61</u>	<u>245126</u>	<u>190.28</u>
10 DEFERRED TAXATION				
As 1 April 2006	(1775)	(1.51)	440	0.34
Released during the year	–	–	(2215)	(1.72)
Change for the year	1892	1.61	–	–
	117	0.10	(1775)	(1.38)
The deferred tax provision is made up as follows :				
Accelerated capital allowances	117	0.10	440	0.34
Origination of reversal of timing differences	–	–	(1319)	(1.02)
Prior year adjustment	–	–	(896)	(0.70)
	117	0.10	(1775)	(1.38)
11 SHARE CAPITAL				
Authorised, allotted, called up and fully paid				
100,000 Ordinary shares of £1 each	100000	85.26	100,000	77.62
12 RESERVES				
Profit and Loss Account				
Retained Profit brought forward	218636	186.40	164778	127.91
Retained Profit for the Financial Year	18687	15.93	53858	41.81
Retained Profit carried forward	237323	202.33	218636	169.72
13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS				
Profit for the year	18687	15.93	53858	41.81
Opening shareholders' funds	318636	271.65	264778	205.53
Closing shareholders' funds	337323	287.59	318636	247.34
14 PENSION COMMITMENTS				

The Company contributes to the defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £19,974 (2006 : £ 21,002). There were no outstanding contributions payable at the year end (2006 : Nil).

15 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The fixed and current assets of the Company are charged in favour of ICICI Bank (UK) Limited, who are lenders to Godrej Consumer Products (UK) Limited, the parent company of Keyline Brands Limited, and the former's parent, Godrej Netherlands BV. The shares of the Company are also pledged in favour of the bank.

16 ULTIMATE PATENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company of Inecto Manufacturing Limited is Keyline Brands Limited.

The Company of the smallest and largest group to include Inecto Manufacturing Limited in its consolidated financial statements is Godrej Consumer Products Limited incorporated in India, which has been promoted by Godrej & Boyce Manufacturing Company Limited and the Godrej family.

17 The values in Indian Rupees are converted at the exchange rate on 31.03.2007 : 1 GBP = Rs. 85.2552 (Previous year : 1GBP = Rs. 77.62).

Balance Sheet as at 31st March, 2007

	March 31, 2007 GBP	March 31, 2007 in Rs.	March 31, 2006 GBP	March 31, 2006 in Rs.
Current Assets				
Cash at bank	2	170.51	2	170.51
	<u>2</u>	<u>170.51</u>	<u>2</u>	<u>170.51</u>
TOTAL ASSETS	2	170.51	2	170.51
Capital and Reserves				
Paid up Share Capital	2	170.51	2	170.51
	<u>2</u>	<u>170.51</u>	<u>2</u>	<u>170.51</u>
TOTAL LIABILITIES	2	170.51	2	170.51

The financial statement were approved by the Board on 24th April, 2007 and signed on its behalf by

Sujit Wijesena

Director

Notes:

- (1) The Company has been dormant since incorporation. For the year ended 31st March, 2007 the Company was entitled to exemption under Section 249AA(1) of the Companies Act, 1985. whereby it is not required to prepare its audited accounts.
- (2) Members have not required the Company to obtain an audit in accordance with Section 249B(2) of the Companies Act, 1985.
- (3) Authorised share capital of the Company comprises of 1000 ordinary shares of GBP1 (Rs.85.25) each.
- (4) Paid up share capital of the Company comprises of 2 shares of GBP1 (Rs. 85.25) each.
- (5) The values in Indian Rupees are converted at the exchange rate on 31.3.2007 1 GBP = Rs. 85.2552 (Previous year : 1GBP = Rs. 77.62).

Report of the Directors

TO THE MEMBER OF RAPIDOL (PROPRIETARY) LIMITED

The Directors present their report for the period ended 31st March, 2007. This report forms part of the audited financial statements.

INCORPORATION

The Company was incorporated on 31st March, 2006 and commenced business on 1st September, 2006.

NAME CHANGE

During the period the Company changed its name from Desert Star Trading 359 (Pty) Ltd. to Rapidol (Pty) Ltd.

BUSINESS AND OPERATIONS

The Company operates as a manufacturing concern of hair care products.

STATEMENT OF RESPONSIBILITY

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with International Standards on Auditing. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. The Directors are also responsible for the Company's system of internal financial control. These 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 of assets, and to prevent and detect misstatement and loss. 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, since the Directors have every reason to believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

FINANCIAL RESULTS

The results of the Company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

DIVIDENDS

No dividends were declared or recommended during the period.

AUTHORISED SHARE CAPITAL

Subsequent to incorporation, the authorised share capital was increased from 1000 ordinary shares of ZAR 1 each to 25000000 ordinary shares of ZAR 1 each.

SHARES ISSUED

100 ordinary shares of ZAR 1 each were issued at par and allotted on incorporation of the Company.

Subsequent to incorporation 18049900 ordinary shares were issued at par value.

EVENTS SUBSEQUENT TO THE YEAR END

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

DIRECTORS

The Directors of the Company during the accounting period and up to the date of this report were as follows :

A. B. Godrej	(Indian)	(appointed 1st September, 2006)
N. B. Godrej	(Indian)	(appointed 1st September, 2006)
T. A. Dubash	(Indian)	(appointed 1st September, 2006)
H. K. Press	(Indian)	(appointed 31st March, 2006)
J. R. Anklesaria	(Indian)	(appointed 1st September, 2006)
D. Lowe		(appointed 1st September, 2006)
K. A. Harrison		(appointed 1st September, 2006)

SECRETARY

The secretary of the Company is D. Lowe, whose business and postal addresses are:

11 Young Road,
Pinetown, South Africa
P.O. Box 10331 Ashwood, 3605,
South Africa.

HOLDING COMPANY

The Company's holding company is Godrej Consumer Products Limited, a company incorporated in India. Godrej Consumer Products Limited is listed on The Stock Exchange, Mumbai and The National Stock Exchange in India.

Independent Auditor's Report

TO THE MEMBER OF RAPIDOL (PROPRIETARY) LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Rapidol (Pty) Ltd., set out on pages 144 to 151 which comprise the Balance Sheet at 31st March, 2007 and the income statement, statement of changes in equity and cash flow statement for the period then ended and a summary of significant accounting policies and other explanatory notes.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rapidol (Pty) Ltd., as of 31st March, 2007 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

Supplementary information

The supplementary schedule set out in note 19 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Sd/-

REGISTERED AUDITOR

13th April, 2007.

PKF Durban
(formerly David Strachan & Tayler)
Chartered Accountants (SA) Registered Auditors

Balance Sheet At 31st March , 2007

	Note	Current Period ZAR	Current Period Rs. Lac
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	7519144	449.47
Deferred Tax	3	44616	2.67
		<u>7563760</u>	<u>452.14</u>
CURRENT ASSETS			
Inventory	4	5471087	327.05
Trade and other receivables	5	12047208	720.15
Taxation		45132	2.70
Cash resources		7296399	436.16
		<u>24859826</u>	<u>1486.05</u>
TOTAL ASSETS		<u>32423586</u>	<u>1938.18</u>
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Share Capital	6	18050000	1078.97
Accumulated Profits		4874200	291.37
		<u>22924200</u>	<u>1370.34</u>
CURRENT LIABILITIES			
Trade and other payables	7	9193809	549.58
Provisions	8	305577	18.27
		<u>9499386</u>	<u>567.84</u>
TOTAL EQUITY AND LIABILITIES		<u>32423586</u>	<u>1938.18</u>

Income Statement for the period ended 31st March, 2007

	Note	Current Period ZAR	Current Period Rs. Lac
REVENUE	1.1	42033937	2512.66
COST OF SALES		16100702	962.45
GROSS PROFIT		25933235	1550.21
Other Income		190153	11.37
Other Expenses		19383635	1158.70
OPERATING PROFIT	9	6739753	402.88
Interest Received		168566	10.08
Interest Paid		(37527)	(2.24)
PROFIT BEFORE TAXATION		6870792	410.72
Taxation	11	1996592	119.35
PROFIT FOR THE PERIOD		<u>4874200</u>	<u>291.37</u>

Statement Of Changes In Equity For The Period Ended 31st March, 2007

	Current Period - 2007		
	Share Capital ZAR	Accumulated Profits ZAR	Total ZAR
Issue of shares on incorporations	100	—	100
Issue of shares capital subsequent to incorporation	18049900	—	18049900
Profit for the period	—	4874200	4874200
Balance at 31st March, 2007	18050000	4874200	22924200

	Current Period - 2007		
	Share Capital Rs. Lac	Accumulated Profits Rs. Lac	Total ZAR
Issue of shares on incorporations	0.01	—	0.01
Issue of shares capital subsequent to incorporation	1078.97	—	1078.97
Profit for the period	—	291.37	291.37
Balance at 31st March, 2007	1078.97	291.37	1370.34

Cash Flow Statement for the period ended 31st March, 2007

	Current Period ZAR	Current Period Rs. Lac
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash receipts from customers	29986729	1792.52
Cash paid to suppliers and employees	(30928263)	(1848.80)
Cash utilised in operating activities	(941534)	(56.28)
Interest received	168566	10.08
Interest paid	(37527)	(2.24)
Taxation paid	(2086340)	(124.72)
Net Cash from Operating Activities	(2896835)	(173.16)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure to expand operating capacity		
Property, plant and equipment acquired	(8331226)	(498.02)
Proceeds from disposal of property, plant and equipment	474460	28.36
Net Cash from Investing Activities	(7856766)	(469.65)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds on issue of share capital	18050000	1078.97
Net Cash from Financing Activities	18050000	1078.97
CASH RESOURCES at end of period	7296399	436.16

Notes to the Annual Financial Statements 31st March, 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in compliance with International Financial Reporting Standards and interpretations of those standard, as adopted by the International Accounting Standards Board and applicable legislation.

1.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised net of value added tax and trade, volume and settlement discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer. Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it expected to be held.

1.2 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each period the difference between depreciation based on the revalued carrying amount of the assets (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from revaluation and other reserves to retained earnings.

Impairment losses and reversal of impairment losses are recognised in the income statement.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to its residual value over its estimated useful life. The depreciation rates applicable to each category of property, plant and equipment are as follows :

Buildings	-	5%
Plant and equipment	-	20%
Motor vehicles	-	20%
Furniture and fittings	-	16,66%
Laboratory equipment	-	33,33%
Computer equipment	-	33,33%

Land is not depreciated as it is deemed to have an indefinite life.

1.3 Leased assets

Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance-leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The equipment acquired under finance leasing contracts are depreciated over the useful life of the assets.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1.4 Inventory

Inventory is stated at the lower of cost or net realisable value. Cost is calculated on a weighted average basis. Cost includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective inventory.

1.5 Taxation

Income tax expense represents the sum of the tax currently payable (being South African Normal Tax), Deferred Tax and Secondary Tax on Companies (being South African Tax on dividends).

Normal tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or subsequently enacted by the balance sheet date.

Deferred tax

Deferred taxation is provided at legislated future rates using the liability method. Full provision is made for all temporary differences between the tax base of an asset or liability and its carrying amount.

Notes to the Annual Financial Statements 31st March, 2007

Assets are not raised in respect of the deferred taxation on assessed losses or deductible temporary differences unless it is probable that future taxable profits will be available against which the deferred tax asset can be realised in the foreseeable future.

Secondary tax on companies

Secondary tax on companies is provided in respect of expected dividend payments net of dividends received or receivable and is recognised as a taxation charge for the period.

1.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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

1.7 Employee benefits

Defined contribution plans

The Company provides a privately administered defined contribution pension fund and a privately administered provident fund for all permanent employees. Contributions to a defined contribution plan in respect of service in a particular period are recognised as an expense in that period.

1.8 Translation of foreign currencies

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

At each balance sheet date foreign currency monetary items are reported using the closing rate.

1.9 Financial instruments

Financial assets and liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured on initial recognition at fair value and are subsequently amortised using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash resources

Cash resources comprise cash on hand and demand deposits that are readily convertible to the known amount of cash and are subject to insignificant risk of changes in value.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are classified according to the substance of the contractual agreements entered into and the definitions of equity instruments. An equity instrument is any contract that evidences a residual interest in the assets

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. PROPERTY, PLANT AND EQUIPMENT

	Current Period - 2007		
	Cost ZAR	Accumulated depreciation ZAR	Carrying value ZAR
Land and buildings	6000000	—	6000000
Plant and equipment	1343642	(152327)	1191315
Motor vehicles	129897	(18943)	110954
Furniture and fittings	138782	(12773)	126009
Laboratory equipment	4694	(548)	4146
Computer equipment	105478	(18758)	86720
	7722493	(203349)	7519144

Notes to the Annual Financial Statements 31st March, 2007

	Current Period - 2007		
	Cost	Accumulated depreciation	Carrying value
	Rs. Lac	Rs. Lac	Rs. Lac
Land and buildings	358.66	—	358.66
Plant and equipment	80.32	(9.11)	71.21
Motor vehicles	7.76	(1.13)	6.63
Furniture and fittings	8.30	(0.76)	7.53
Laboratory equipment	0.28	(0.03)	0.25
Computer equipment	6.31	(1.12)	5.18
	461.63	(12.16)	449.47

The carrying amounts of property, plant and equipment can be reconciled as follows :

2007	Acquisitions ZAR	Disposals ZAR	Depreciation ZAR	Carrying value at end of period ZAR
Land and buildings	6000000	—	—	6000000
Plant and equipment	1343642	—	(152327)	1191315
Motor vehicles	738630	(547860)	(79816)	110954
Furniture & Fittings	138782	—	(12773)	126009
Laboratory equipment	4694	—	(548)	4146
Computer equipment	105478	—	(18758)	86720
	8331226	(547860)	(264222)	7519144

2007	Acquisitions Rs. Lac	Disposals Rs. Lac	Depreciation Rs. Lac	Carrying value at end of period Rs. Lac
Land and buildings	358.66	—	—	358.66
Plant and equipment	80.32	—	(9.11)	71.21
Motor vehicles	44.15	(32.75)	(4.77)	6.63
Furniture & Fittings	8.30	—	(0.76)	7.53
Laboratory equipment	0.28	—	(0.03)	0.25
Computer equipment	6.31	—	(1.12)	5.18
	498.02	(32.75)	(15.79)	449.47

Current Period ZAR	Current Period Rs. Lac
---------------------------	-------------------------------

Land and buildings, at cost

Land is described at Lot 2813 Pinetown, situate in the Borough of Pinetown and in the Pinetown Regional Water Services Area, administrative district of KwaZulu-Natal, in extent 4050 squaremeters.

At cost - 2007

6000000	358.66
----------------	---------------

3. DEFERRED TAXATION

Deferred tax assets

The balance comprises:

- Property, plant and equipment	(87000)	(5.20)
- Prepaid expenses	(12536)	(0.75)
- Provisions	135017	8.07
- Doubtful debt provision	9135	0.55
	44616	2.67

Movements during period attributable to

- Temporary differences	44616	2.67
Balance at end of period	44616	2.67

Notes to the Annual Financial Statements 31st March, 2007

		Current Period ZAR	Current Period Rs. Lac
4. INVENTORY			
The amounts attributable to the different categories are as follows :			
Raw materials		2484704	148.53
Work in progress		255357	15.26
Finished goods		2731026	163.25
		<u>5471087</u>	<u>327.05</u>
Inventory is value as stated in note 1.4.			
5. TRADE AND OTHER RECEIVABLES			
Trade and other receivables are broken down as follows :			
Trade receivables		11879927	710.15
Doubtful debt provision		(42000)	(2.51)
Sundry debtors		166052	9.93
Prepayments		43229	2.58
		<u>12047208</u>	<u>720.15</u>
6. SHARE CAPITAL			
Authorised			
25000000 Ordinary shares of Zar 1 each		<u>25000000</u>	<u>1494.43</u>
Issued			
18050000 Ordinary shares of Zar 1 each		<u>18050000</u>	<u>1078.97</u>
7. TRADE AND OTHER PAYABLES			
Trade and other payables are broken down as follows :			
Trade payables		5022160	300.21
Accruals		3918147	234.22
Other payables - VAT		253502	15.15
		<u>9193809</u>	<u>549.58</u>
		Current Period (ZAR)	Current Period (Rs. Lac)
		Additional provisions	Additional provisions
		Carrying amount at end of period	Carrying amount at end of period
8. PROVISIONS			
Leave pay benefits	218338	218338	13.05
Annual bonus	87239	87239	5.21
	<u>305577</u>	<u>305577</u>	<u>18.27</u>
		Current Period ZAR	Current Period Rs. Lac
9. OPERATING PROFIT			
Operating profit is stated after:			
Income			
Foreign exchange gains		190153	11.37
Expenditure			
Auditors' remuneration		155930	9.32
- Audit fee			
Depreciation			
- Property, plant and equipment		264222	15.79
Lease rentals			
- Premises		32848	1.96
- Motor vehicles		43880	2.62
Loss on disposal of property plant and equipment		73400	4.39

Notes to the Annual Financial Statements 31st March, 2007

	Current Period ZAR	Current Period Rs. Lac
10. DIRECTORS' EMOLUMENTS		
The following emoluments were paid or credited to the Directors during the period -		
- Fees	-	-
- Other services	1282467	76.66
	1282467	76.66
11. TAXATION		
S.A. Normal Tax		
- Current Tax	2041208	122.02
- Deferred Tax	-	-
Current period	(44616)	(2.67)
Tax for the period	1996592	119.35
Reconciliation of rate of taxation	%	%
S.A. Normal tax rate	29.0	29.0
Adjusted for - Disallowable expenditure	0.1	0.1
Effective rate	29.1	29.1
12. NOTES TO THE CASH FLOW STATEMENT		
12.1 Cash Utilised in operating activities		
Profit before taxation	6870792	410.72
Adjustment for-		
- Depreciation	264222	15.79
- Interest received	(168566)	(10.08)
- Interest paid	37527	2.24
- Movement in provisions	305577	18.27
- Loss on disposal of property, plant and equipment	73400	4.39
	7382952	441.33
Movements in working capital:		
- Increase in inventory	(5471087)	(327.05)
- Increase in trade and other receivables	(12047208)	(720.15)
- Increase in trade and other payables	9193809	549.58
Net cash utilised in operating activities	(941534)	(56.28)
12.2 Reconciliation of taxation paid during period		
Charge per income statement	(1996592)	(119.35)
Adjustment for deferred tax	(44616)	(2.67)
Movement in taxation balance	(45132)	(2.70)
Payments made	(2086340)	(124.72)
13. FINANCIAL RISK MANAGEMENT		
Financial instruments are used to cover risks linked to the Company's activity. Each instrument is tied to an asset or liability or an operational or financing transaction. Management of these instruments, most often trade on organised or comparable markets, is centralised.		
Foreign Exchange risk		
The Company carries out a significant portion of its sales in foreign currencies. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations against the Company's own currency.		
Interest rate risk		
As part of the process of managing the company's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rate.		
Credit risk		
The Company only deposit cash surpluses with major banks of high quality credit standing. Trade receivables comprise a widespread customer base. Ongoing credit evaluation of the financial position of customers is performed and, where appropriate, credit guarantee insurance is purchased.		
Liquidity risk		
The Company has minimised its liquidity risk by monitoring forecast cash flows and ensuring that it has adequate banking facilities and borrowing capacity.		

Notes to the Annual Financial Statements 31st March, 2007

14. RELATED PARTIES

During the period the company entered into the following transactions :

	Sales to related parties ZAR	Purchases from related parties ZAR	Amounts owed to related parties ZAR
Godrej Consumer Products Limited - 2007	-	4644351	1,687,448
Director - 2007	-	32848	-

	Sales to related parties Rs. Lac	Purchases from related parties Rs. Lac	Amounts owed to related parties Rs. Lac
Godrej Consumer Products Limited - 2007	-	277.63	100.87
Director - 2007	-	1.96	-

Godrej Consumer Products Limited

Rapidol (Pty) Ltd. is a wholly owned subsidiary of Godrej Consumer Products Limited

Sales to and purchases from the related parties

Sales to and purchases from related parties are made at normal market prices.

15. CONTINGENT LIABILITIES

A liability for Secondary Tax on companies of ZAR 541578 (Rs.32.37 lac) would arise if all the accumulated profits of ZAR 4332622 (Rs. 258.99 lac) were to be distributed as a dividend.

16. OPERATING LEASE COMMITMENTS

	Property ZAR	Motor vehicle ZAR	Total ZAR
Future minimum rentals payable under operating leases are as follows:			
- Due within 1 year	42412	366801	409213
- Due thereafter but not later than 5 years	-	359517	359517
	42412	726318	768730

	Property Rs. Lac	Motor vehicle Rs. Lac	Total Rs. Lac
Future minimum rentals payable under operating leases are as follows:			
- Due within 1 year	2.54	21.93	24.46
- Due thereafter but not later than 5 years	0.00	21.49	21.49
	2.54	43.42	45.95

17. COMPARATIVE FIGURES

No comparative figures have been represented as this is the Company's first period of trading.

18. The values in Indian Rupees are converted at the exchange rate on 31.03.2007 : 1 ZAR = Rs. 5.9777.

19. DETAILED INCOME STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2007

	Current Year ZAR	Current Year Rs. Lac
REVENUE		
Sales	48327001	2888.84
Settlement discount allowed	(2780385)	(166.20)
Trade discount allowed	(3512679)	(209.98)
	42033937	2512.66

Notes to the Annual Financial Statements 31st March, 2007

	Current Year ZAR	Current Year Rs. Lac
COST OF SALES		
Purchases	17343812	1036.76
Manufacturing costs		
- Cleaning material	34101	2.04
- Depreciation	152875	9.14
- Direct labour	1314192	78.56
- Electricity and water	70146	4.19
- Motor vehicle expenses	11077	0.66
- Protective clothing and uniforms	40551	2.42
- Rates	66480	3.97
- Refuse removal	46612	2.79
- Repairs and maintenance	148908	8.90
- Security	86429	5.17
- Staff welfare	5432	0.32
- Technical fees	2245583	134.23
- Wastage	5591	0.33
Total Manufacturing Costs	4227977	252.74
Closing inventory	(5471087)	(327.05)
Total Cost of Sales	16100702	962.45
GROSS PROFIT	25933235	1550.21
OTHER INCOME		
Foreign exchange gain	190153	11.37
Interest received	168566	10.08
TOTAL INCOME	26291954	1571.65
EXPENDITURE		
Advertising	8066357	482.18
Auditors' remuneration	155930	9.32
Bad debts provision	42000	2.51
Bank charges	57544	3.44
Carriage	401071	23.97
Cleaning	8291	0.50
Commission paid	3024692	180.81
Computer expenses	91235	5.45
Credit bureau charges	154657	9.24
Depreciation	111347	6.66
Donations	225830	13.50
Insurance	128868	7.70
Interest Paid	37527	2.24
Lease rentals	76728	4.59
Legal expenses	16180	0.97
Loss on disposal of property, plant and equipment	73400	4.39
Motor vehicle expenses	175923	10.52
Postage	909	0.05
Printing and stationery	65156	3.89
Repairs and maintenance	10066	0.60
Royalty fees	2245583	134.23
Salaries	3277955	195.95
Staff refrements	10208	0.61
Staff welfare	19782	1.18
subscriptions	35318	2.11
Telephone and fax	151873	9.08
Training	36041	2.15
Travel	702708	42.01
Uniforms	17983	1.07
Total Expenditure	19421162	1160.94
PROFIT for the period	6870792	410.72