

# Weikfield International (U.A.E.) Limited

A Limited Liability Company  
Sharjah  
United Arab Emirates

Auditor's Report and Combined Financial Statements for the  
Year Ended 31st March 2005

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## DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the period from 1 April 2004 to 31 March 2005 which show the state of affairs of the company. We approve the financial statements and confirm that we are responsible for these including selecting the accounting policies and making the judgements, underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

### Activity

The company carried out activities of manufacturing, import, export, warehousing and distribution of cosmetics and food products.

### Results and Dividends

The Sales Turnover and Net Loss for the period, including the cosmetics branch of the company was AED 28,507,967 and AED 296,446 respectively. No dividend is proposed for the year.

### Directors

The Directors who served during the period were as follows :

Mr. Siddhartha Burman

Mr. P. D. Narang

Mr. Arvind Kumar

Mr. Sarabjeet Singh Sehdev

Mr. Mukesh Malhotra

### Events since the end of the year

There were no important events occurring since the year end that materially effect the company.

### Auditors

A resolution to re-appoint Messrs Talal Abu Ghazaleh & Co. as the auditor and fix their remuneration will be put to the directors at the annual general meeting.

On behalf of the board

**Arvind Kumar**

Director

**Sarabjeet Singh Sehdev**

Director

Sharjah

12 April 2005.

## Auditors Report

To the Partners Weikfield International (UAE) Limited

We have audited the accompanying combined balance sheet of WEIKFIELD INTERNATIONAL (U.A.E.) LIMITED - (a limited liability company) - SHARJAH - UNITED ARAB EMIRATES as of 31 March 2005 and the related combined statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. The effect of change in estimated useful life of the property, plant & equipment amounting to AED 1,649,910 is applied retrospectively and is credited to capital reserve (Exhibit A), which is not in compliance with International Accounting Standards - Note 2 (d).
2. The rates of depreciation applied on property, plant and equipment are not adequate to depreciate them over their useful lives - Note 2 (d)

In our opinion, except as discussed in the preceding paragraphs (1 & 2), the combined financial statements referred to above present fairly, in all material respects, the financial position of Weikfield International (U.A.E.) Limited (a limited liability company) - Sharjah - United Arab Emirates as of 31 March 2005 and the results of their operations and their cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**TALAL ABU GHAZALEH & CO.**

Sharjah

11 April 2005.

## COMBINED BALANCE SHEET AS AT 31ST MARCH, 2005

EXHIBIT A

		31.03.2005	31.03.2004
	Note	AED	AED
<b>ASSETS</b>			
Non - Current Assets			
Property, Plant & Equipment	2(d) & 3	4,391,802	4,924,112
Current Assets			
Inventories	2(f) & 4	3,472,128	3,024,833
Trade & Other Receivables	5	8,346,777	5,786,250
Due from Partner - Dabur International Limited		2,474,153	-
Cash on Hand		17,294	4,818
Total Current Assets		14,310,352	8,815,901
<b>TOTAL ASSETS</b>		<b>18,702,154</b>	<b>13,740,013</b>
<b>EQUITY &amp; LIABILITIES</b>			
Capital & Reserves			
Capital	6	1,601,000	1,601,000
Statutory Reserve	7	133,597	104,651
Capital Reserve	8	1,649,910	1,649,910
Accumulated Profits		2,000,349	2,405,741
Total Equity - Exhibit C		5,384,856	5,761,302
Non - Current Liabilities			
End of service benefit obligations	2(g) & 9	233,522	177,529
Current Liabilities			
Trade & Other Payables	10	7,219,776	2,950,286
Post Dated Cheques Issued		113,750	133,100
Due to a Partner - Dabur International Limited		-	535,706
Short Term Borrowings	11	5,750,250	4,182,090
Total Current Liabilities		13,083,776	7,801,182
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>18,702,154</b>	<b>13,740,013</b>

The accompanying notes constitute an Integral part of these combined financial statements

These combined financial statements have been authorized for issued on 11 April 2005 by :

<b>Arvind Kumar</b>	Director
<b>Sarabjeet Singh Sehdev</b>	Director

## Combined statement of income for the year ended 31st march, 2005

	Note	Year Ended 31.03.2005 AED	Exhibit B Year Ended 31.03.2004 AED
Sales		2(h)	28,507,967
24,916,810			
Cost of Sales	13	21,860,442	17,884,974
Gross Operating Profit		6,647,525	7,031,836
Other Operating Income		43,520	26,058
Sales promotion & Distribution Expenses		(4,814,580)	(3,388,248)
Administrative Expenses	14	(1,840,489)	(2,128,705)
Depreciation		(55,747)	(68,795)
(Loss)/ Profit from Operation		(19,771)	1,472,146
Finance Costs		(276,675)	(267,899)
<b>(Loss)/ Profit for the year - Exhibit C &amp; D</b>		<b>(296,446)</b>	<b>1,204,247</b>

## Combined statement of changes in equity for the year ended 31st march, 2005

Exhibit C

	Capital AED	Statutory Reserve AED	Capital Reserve AED	Term Loan from a Partner AED	Accumulated Profits AED	Total AED
Balance at 1st April 2003 - Exhibit A	1,601,000	71,703	-	850,000	1,314,442	3,837,145
Profit for the year ended 31st March 2004 - Exhibit B	-	-	-	-	1,204,247	1,204,247
Transferred to Statutory Reserve	-	32,948	-	-	(32,948)	-
Repayment of term - loan to a partner	-	-	-	(850,000)	-	(850,000)
Dividends Paid	-	-	-	-	(80,000)	(80,000)
Accumulated depreciation written back- transferred to capital reserve	-	-	1,649,910	-	-	1,649,910
Balance at 31st March 2004 - Exhibit A	1,601,000	104,651	1,649,910	-	2,405,741	5,761,302
Loss for the year ended 31st March 2005 - Exhibit B	-	-	-	-	(296,446)	(296,446)
Transferred to Statutory Reserve	-	28,946	-	-	(28,946)	-
Dividends Paid	-	-	-	-	(80,000)	(80,000)
Balance at 31st March 2005 - Exhibit A	1,601,000	133,597	1,649,910	-	2,000,349	5,384,856

The accompanying notes constitute an Integral part of these combined financial statements

## Combined statement of cash flows for the year ended 31st march, 2005

**EXHIBIT D**

	Year Ended 31.03.2005 AED	Year Ended 31.03.2004 AED
<b>Cash flows from operating activities</b>		
(Loss)/ profit for the year - Exhibit B	(296,446)	1,204,247
Adjustments for :		
Loss on Sale of Property and equipment	300,491	-
Depreciation	298,735	506,677
End of Service Benefits	58,012	65,493
<b>Operating Profit before Working Capital Changes 360,792</b>	<b>1,776,417</b>	
Increase in Inventories	(447,295)	(839,359)
Increase in Trade & Other Receivables	(2,560,527)	(1,638,756)
Increase in trade & other payables	4,269,490	1,000,677
(Decrease) / Increase in post dated cheques issued	(19,350)	19,550
Settlement of end of service benefits	(2,019)	(7,931)
<b>Net Cash Provided by Operating Activities</b>	<b>1,601,091</b>	<b>310,598</b>
<b>Cash flows from investing activities</b>		
Purchase of property & equipment	(66,916)	(36,427)
<b>Net Cash Used in Investing Activities</b>	<b>(66,916)</b>	<b>(36,427)</b>
<b>Cash flows from financing activities</b>		
Repayment of term-loan recd. from a partner	-	(850,000)
(Decrease) / Increase in Partner's Current Account.	(3,009,859)	513,461
Increase in Short Term Borrowings	1,568,160	122,868
Dividends paid	(80,000)	(80,000)
<b>Net Cash Used in Financing Activities</b>	<b>(1,521,699)</b>	<b>(293,671)</b>
Net increase / (decrease) in cash & cash equivalents	12,476	(19,500)
Cash & Cash Equivalents at beginning of the year	4,818	24,318
<b>Cash &amp; Cash Equivalents at end of the year - Note 2 (i) &amp; 16</b>	<b>17,294</b>	<b>4,818</b>

The accompanying notes constitute an Integral part of these combined financial statements

## Notes to Combined Financial Statements

### 1. STATUS AND ACTIVITIES

Weikfield International (U.A.E.) Limited – Sharjah–(hereinafter referred to as the “Company”) is a limited liability company operating under an annual industrial license issued from the Economic Development Department – Government of Sharjah.

The accompanying financial statements also include the assets, liabilities and operating results of Weikfield International (U.A.E.) Limited – Cosmetic Branch-- Sharjah-- United Arab Emirates which is operating under an annual industrial license issued from the Economic Development Department – Government of Sharjah.

The domicile of the company is in Sharjah City, Emirate of Sharjah – United Arab Emirate.

The main activity of the company is packing of foodstuff and manufacturing of cosmetic products.

The number of employees in the company as at 31 March, 2005 is 60 employees (31.03.2004 : 51 employees).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies applied in the preparation of the combined financial statements are as follows:-

a) Accounting convention

The combined financial statements have been prepared under the historical cost convention.

b) Basis of combination

These combined financial statements combine the assets, liabilities and results of operations of the above mentioned company and the Cosmetics Branch. All significant inter company balances, transactions and profits or losses have been eliminated on combination.

These financial statements were prepared as of 31 March, 2005 pursuant to transfer of 100 percent share of Dabur International Ltd., a partner in the company of Dabur India Ltd. on 14<sup>th</sup> September, 2003.

c) Trade and settlement date accounting

The company adopts the settlement date accounting for the “regular way” purchase or sale of various categories of financial assets. Settlement date accounting requires the recognition of financial assets on the day it is transferred to the Company.

d) Depreciation of property, plant and equipment

Property, plant and equipment are stated at cost and depreciated using the straight line method at rates estimated to depreciate the assets concerned over their useful lives. Annual rates of depreciation used are as follows:-

	%
Factory buildings	3.34
Plant, machinery, tools and equipment	4.75
Furniture, fixtures and office equipment	6.33
Motor vehicles	9.50

The Company changed the estimated useful life of property, plant and equipment with effect from 14<sup>th</sup> September, 2003. This change has been done to align the rates of depreciation followed by the company with its holding company, Dabur India Ltd.

The change in estimated useful life of property, plant and equipment has resulted in a decrease in accumulated depreciation by AED 1,649,910 (Note 8) which has been credited to capital reserve (Exhibit A).

e) Impairment

The carrying amounts of the Company’s assets are reviewed at each balance sheet date or whenever there is any indication of impairment. If any such indication exists, the recoverable value of the assets is estimated. An impairment loss is recognized where the carrying amount of an asset exceeds its recoverable value. Impairment losses are recognized in the income statement.

## Notes to Combined Financial Statements (Contd...)

f) Inventories

- i) Raw-materials : Raw materials are stated at the lower of cost or net realizable value, cost being determined under the weighted average method.
- ii) Finished products : Finished products are stated at the actual cost incurred (which includes materials, labour and direct expenses) or net realizable value whichever is lower.

g) End of service benefits obligation

End of service benefits obligation is calculated in accordance with U.A.E. Labour Law requirements.

h) Sales

Sales represent the net amount invoiced for goods sold by the Company during the year.

i) Cash and cash equivalents

For the purposes of preparing the Statement of Cash Flows (Exhibit D) "cash and cash equivalents" comprise of unrestricted cash balance, which is subject to an insignificant risk of changes in value.

j) Foreign currencies

Assets and liabilities denominated in foreign currencies are expressed in Arab Emirates Dirhams (AED) at rates of exchange ruling at the balance sheet date. Foreign currency transactions occurring during the year are expressed in AED at rates of exchange prevailing on such transaction dates. All foreign currency gains and losses are credited or charged to statement of income as they arise.

k) Financial instruments

The company's financial instruments are comprised principally of trade and other receivables, cash balance, trade and other payables, post-dated cheques issued and short-term borrowings.

Fair value of financial instruments is arrived at by using various methods of estimation that include determining the net realizable value, net settlement value, market value or market value of a similar financial instruments and estimates based on management's judgment and past experience.

### 3 PROPERTY, PLANT & EQUIPMENT

a) Property, plant & equipment are stated at cost less depreciation as follows :-

(Amount in AED)

	Factory Buildings	Plant, Machinery, Tools & Equipment	Furnitures, Fixtures & Office Equipment	Motor Vehicles	Total
<b>Cost :</b>					
At 1 April 2004	452,700	4,856,660	286,356	388,000	5,983,716
Additions during the year	-	43,913	23,003	-	66,916
Disposals off / Written off during the year	-	(455,639)	(103,529)	(3,500)	(562,668)
<b>Balance at 31 March 2005</b>	<b>452,700</b>	<b>4,444,934</b>	<b>205,830</b>	<b>384,500</b>	<b>5,487,964</b>
<b>Accumulated Depreciation :</b>					
At 1 April 2004	42,809	820,069	107,503	89,223	1,059,604
Charged for the year - Exhibit D	15,121	227,868	18,886	36,860	298,735
Relating to disposals / Written off	-	(204,320)	(55,673)	(2,184)	(262,177)
<b>Balance at 31 March 2005</b>	<b>57,930</b>	<b>843,617</b>	<b>70,716</b>	<b>123,899</b>	<b>1,096,162</b>
<b>Net Book Value :</b>					
At 31 March 2005 - Exhibit A	394,770	3,601,317	135,114	260,601	4,391,802
At 31 March 2004 - Exhibit A	409,891	4,036,591	178,853	298,777	4,924,112

## Notes to Combined Financial Statements (Contd...)

- b) The company changed the estimated useful life of the property, plant & equipment with effect from 14 September, 2003. The changes were applied with retrospective effect from date of acquiring individual assets. This had resulted in a decrease in accumulated depreciation by an Amount of AED 1,649,910 in the year ended 2004 which has been credited to capital reserve (Note 8)
- c) Factory building are constructed on a leased shed which are renewed annually.

### 4 INVENTORIES

- a) This item consists of the following :

	31.03.2005 AED	31.03.2004 AED
Raw Materials - Note 2(f) (i)	2,457,978	2,141,813
Finished Products - Note 2 (f) (ii)	764,149	773,460
Goods in Transit	400,488	109,560
<b>Total</b>	<b>3,622,615</b>	<b>3,024,833</b>
Allowance for Slow Moving items	(150,487)	-
<b>Net Amount Exhibit - A</b>	<b>3,472,128</b>	<b>3,024,833</b>

### 5 TRADE & OTHER RECEIVABLES

- a) This items consists of the following :

Trade receivables - Note 12 (b)	7,122,251	5,248,466
Prepayments and other receivable - Note 5 (b)	1,224,526	537,784
<b>Total Exhibit - A</b>	<b>8,346,777</b>	<b>5,786,250</b>

- b) Prepayments & Other Receivables

This item consists of the following :

Prepaid Expenses	192,341	240,069
Refundable Deposits	109,500	86,200
Margin held with Bank	22,590	7,590
Staff Receivables	108,296	109,314
Advances to Suppliers	787,760	89,761
Due from Weikfield India (Pvt.) Ltd. - a related company	4,039	4,850
<b>Total Note - 5 (a)</b>	<b>1,224,526</b>	<b>537,784</b>

### 6 CAPITAL

The company's capital consists of 1,601 shares of AED

1,000 each contributed by the partners as follows :

	No. of shares	31.03.2005 AED	31.03.2004 AED
Sheikh Abdul Rahman Salem Al Qasimi	832	832,000	832,000
Dabur International Limited	615	615,000	615,000
Weikfield Overseas Limited - U.K.	154	154,000	154,000
<b>Total Shares</b>	<b>1,601</b>		
<b>Total Exhibit - A</b>		<b>1,601,000</b>	<b>1,601,000</b>

### 7 STATUTORY RESERVE

In accordance with the company's Articles of Association and UAE Commercial Companies Law No. (8) of 1984 (as amended), an amount equal to 10% of the net profit for the year is to be transferred to a statutory reserve until the balance of such reserve reaches 50 % of the Company's Capital. Amounts retained in the statutory reserve account are not available for distribution to partners.

### 8 CAPITAL RESERVE

Capital Reserve amounting to AED 1,649,910 as at 31 March, 2005 (31.3.2004: AED 1,649,910) (Exhibit a represents the difference to accumulated depreciation on account of change in estimate useful life of property, plant & equipment, applied retrospectively from the date of acquiring the assets.

## Notes to Combined Financial Statements (contd...)

### 9 END OF SERVICE BENEFITS OBLIGATIONS

The details of the movement in this account during the year are as follows :

	31.03.2005 AED	31.03.2004 AED
Balance at 1 April 2004	177,529	119,967
Current Service Cost	58,012	65,493
Settlements	(2,019)	(7,931)
<b>Balance at 31 March - Exhibit A</b>	<b>233,522</b>	<b>177,529</b>

### 10 TRADE & OTHER PAYABLES

This item consists of the following :

Trade payables	2,148,527	1,303,403
Accrued Expenses	2,230,665	1,396,336
Provision for Leave Salary	81,625	72,641
Due to Dabur India Limited - India (a related party)	2,134,616	109,173
Due to Dabur Nepal Pvt. Ltd. - Nepal (a related party)	4,350	4,350
Other Payables	619,993	64,383
<b>Total - Exhibit A</b>	<b>7,219,776</b>	<b>2,950,286</b>

### 11 SHORT TERM BORROWINGS

This item consists of the following :

Bank Overdraft	4,005,952	2,804,720
Trust Receipts	1,744,298	1,377,370
<b>Total - Exhibit A</b>	<b>5,750,250</b>	<b>4,182,090</b>

### 12 FINANCIAL INSTRUMENTS

#### a) Fair Value

The fair values of the company's combined financial assets and liabilities are not materially different from their carrying values as of the balance sheet date.

#### b) Credit Risk

Financial assets which potentially subject the company to concentration of credit risk consist principally of current deposit with banks and trade receivables. The deposits with the banks are maintained with high credit quality financial institutions. Concentration of credit risk with respect to trade receivables arises from exposure to group of debtors operating in the trading businesses.

Concentration of credit risk also arises from the geographical area in which the debtors are located and in the company's case is concentrated mainly in the GCC countries.

#### c) Interest Rate Risk

The Interest rate on short - term borrowings is at fixed rate per annum.

No Interest is charged in the amounts due to / from partners.

### 13 COST OF SALES

This item consists of the following :

	31.03.2005 AED	31.03.2004 AED
Raw Materials Consumed	18,691,528	15,332,958
Wages & Other Benefits	1,415,117	996,931
Depreciation	242,988	437,882
Rent Expenses	433,861	301,240
Water & Electricity Expenses	134,284	109,157
Other Direct Expenses	933,353	928,776
<b>Total</b>	<b>21,851,131</b>	<b>18,106,944</b>
Opening Stock - Finished Products	773,460	551,490
Closing Stock - Finished Products	(764,149)	(773,460)
<b>Net amount - Exhibit B</b>	<b>21,860,442</b>	<b>17,884,974</b>

## Notes to Combined Financial Statements (Contd...)

### 14 ADMINISTRATIVE EXPENSES

This item consists of the following :

	31.03.2005 AED	31.03.2004 AED
Staff Salaries & Other Benefits	1,124,579	1,445,543
Travelling Expenses	99,063	143,557
Telephone, Fax & Postage	89,720	126,878
Insurance	29,395	37,420
Motor Vehicle Expenses	83,349	69,729
Printing & Stationery	14,057	13,138
Rebate Expenses	3,757	46,469
Legal & Professional Fees	50,360	162,584
Loss on Written off of Property & Equipment	300,491	-
Miscellaneous Expenses	45,718	83,387
<b>Total - Exhibit B</b>	<b>1,840,489</b>	<b>2,128,705</b>

### 15 RELATED PARTY TRANSACTIONS

The Company carried out transactions in the normal course of business with related parties. Transactions with related parties comprises principally of sales, purchases and financing transactions. The management considers such transactions to be in the normal course of business and at terms, which correspond to terms on normal arm's length transactions with third parties. The aggregate amounts of various transactions with the related parties occurred during the period are as follows:

Sales to Dabur International Limited	9,698,745	6,827,992
Purchases from Dabur International Limited	511,510	1,622,922
Purchases from Dabur India Limited	2,914,309	785,000
Royalty to Weikfield Products Co. (India) Pvt. Ltd.	60,648	71,518
Royalty to Dabur International Limited	260,643	261,131

### 16 CASH & CASH EQUIVALENTS

At 31 March 2005 & 31 March 2004 "cash & cash equivalents" included in the Statement of Cash Flows (Exhibit D) comprise the following item:

Cash on Hand	17,294	4,818
<b>Total - Exhibit D</b>	<b>17,294</b>	<b>4,818</b>

### 17 CONTINGENT LIABILITIES

Contigent Liabilities outstanding as at 31 March 2005 & 31 March 2004 as declared by the bank are as follows :

Letter of Guarantee	198,458	46,033
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### 18 LITIGATION

Two cases have been filed against the company claiming an amount of AED 210,115 plus interest rate of nine percent. The company does not expect an adverse outcome from these litigations and therefore no provision has been made in the books of account for the above - mentioned amount.

### 19 GENERAL

1) The figures in these combined financial statements are rounded to nearest United Emirates Dirhams (AED).