

REPORT AND ACCOUNTS 2005



HINDUSTAN LEVER LIMITED



Our Corporate Purpose

Our mission is to add vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Our deep roots in local cultures and markets give us our strong relationship with consumers and are the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers - a truly multi-local multinational.

Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively, and to willingness to embrace new ideas and learn continuously.

To succeed also requires, we believe, the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact.

This is our road to sustainable, profitable growth, creating long-term value for our shareholders, our people, and our business partners.

02

Letter From
The Chairman

05

Performance
Trends 1996-2005

06

Board of
Directors

08

Management
Committee

09

Directors'
Report

43

Financials

43

Significant Accounting Policies

44

Profit and Loss Accounts

45

Balance Sheet

46

Cash Flow Statement

47

Notes and Schedules

76

Report of the Auditors

80

Additional Information - Economic Value Added

81

Consolidated Accounts

107

Statement Pursuant to Section 212

108

Code of Conduct



Letter From The Chairman

Dear Shareholders,

At the outset, I thank all of you for the privilege given to me to serve as the Chairman of Hindustan Lever Limited. I am also pleased to report a good performance in 2005 by your Company, returning to robust topline growth after a gap of some years.

Indian economy continued to perform well with real GDP growth of 8% in 2005-06 and remained one of the fastest growing economies of the world. Many of the economic parameters remain strong and positive. FMCG segment, which witnessed a scenario of poor or no growth in the past few years, began to change for the better, with good growth numbers posted across various categories from the last quarter of 2004 onwards and throughout 2005. Independent market research numbers put FMCG value growth for 2005 at 5%.

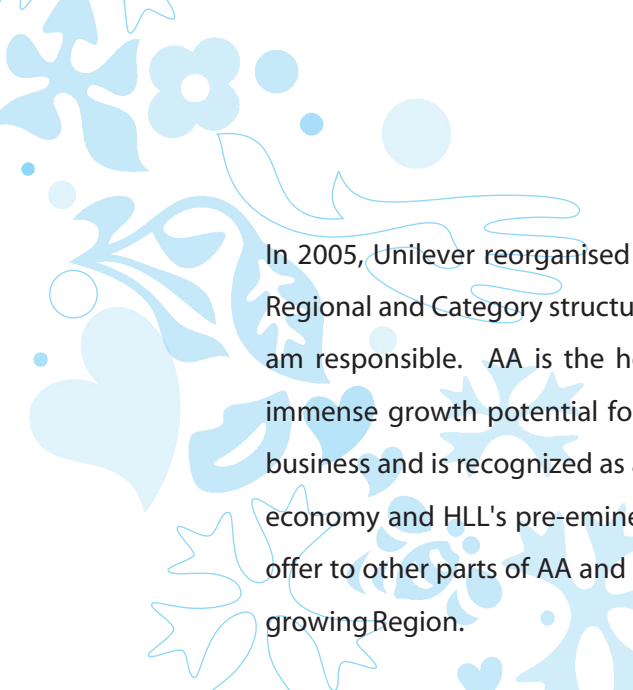
On the back of a strong revival in FMCG markets, and with active marketing, sales and innovation inputs, your Company reported a sales growth of 11% in 2005. FMCG categories performed even better at 13% with both HPC and Foods delivering good numbers. Your Company continued to sharpen its competitiveness by substantially

strengthening the brand portfolio and delighting the consumers with better overall value. Brands are a significant asset of the Company; substantially higher levels of investment in advertising and promotions behind our brands helped deliver category growth well ahead of the market. Many of our brands gained shares in an intensely competitive scenario, supported by high quality innovation crafted jointly by our marketing and technical teams. Brands like Lux, Clinic All Clear, Brooke Bond Red Label Nature Care, Surf Excel, Knorr Soups are excellent examples of the power of such innovation.

Building strong capabilities is an important agenda for your Company. This calls for continuous revamp of business processes, HR capabilities and leveraging of economies of scale. 'One HLL' approach in sales and customer development was implemented, involving consolidation of the function and re-deployment of its resources towards active demand generation at the Point of Purchase, both in rural and urban markets. This played a critical role in driving the growth agenda of the Company.

Your Company benefits substantially from linkages to Unilever and access to its intellectual and human capital. These linkages help the Company to drive innovations, and bring "best in class" processes in various functions like Finance, IT, HR and Supply Chain; these help significantly to upgrade organisational capabilities and our competitiveness in the market place.

Many of you are aware of the progress we have made in New Ventures. Shakti has proven to be an excellent initiative, with the symbiotic relationship benefiting 'Shaktiammas' and the Company. This is poised to be scaled up further. HL Network recorded good progress, with more work to be done in bringing out the business leadership potential of many of our consultants. Water business deepened its learnings further through the test market in Chennai and Pureit will be gradually extended to other cities.



In 2005, Unilever reorganised its business globally, resulting in the creation of a new Regional and Category structure. Asia Africa (AA) is one of the three regions for which I am responsible. AA is the home for some three-fourth of World's population with immense growth potential for the future. HLL is an important part of Unilever's AA business and is recognized as a key priority for Unilever given the strong growth in the economy and HLL's pre-eminent position in the market. Your Company has much to offer to other parts of AA and equally, benefits enormously from being part of this fast growing Region.

Arising from the new organisational structure for Unilever, HLL has revamped its top management organisation. Douglas Baillie has taken over as the CEO of your Company with a reconstituted Management Committee (MC). This MC reflects a mix of business responsibilities for HPC, Foods and Exports and Functional responsibilities on a "One HLL" basis for HR/Legal, Finance/IT, Supply Chain and Customer Development. I am sure that the new MC, under the able and experienced leadership of Douglas Baillie, will deliver well for all the stakeholders of the Company.

Profitable competitive growth calls for achieving Market Leadership, Cost Leadership and Thought Leadership to deliver it. Team HLL is determined to drive this agenda and deliver superior shareholder value.

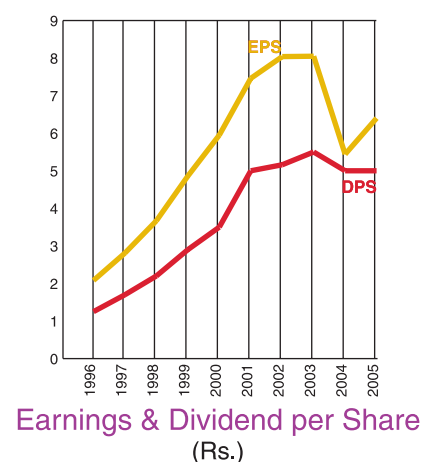
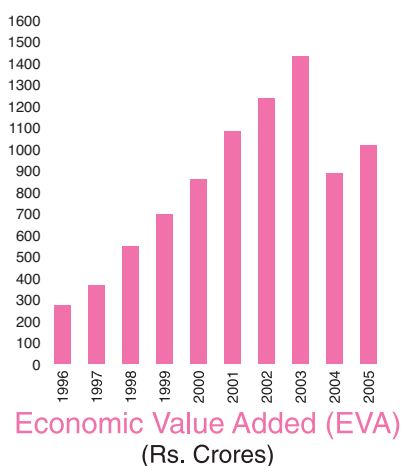
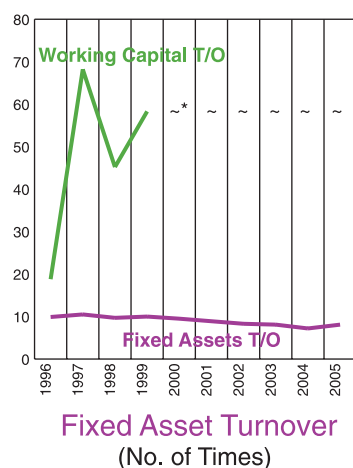
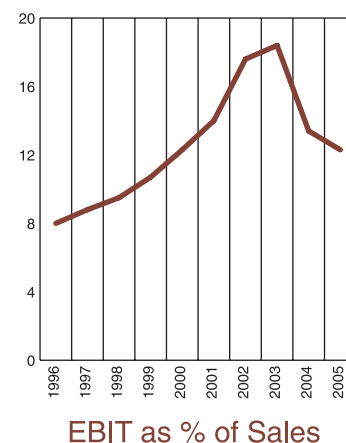
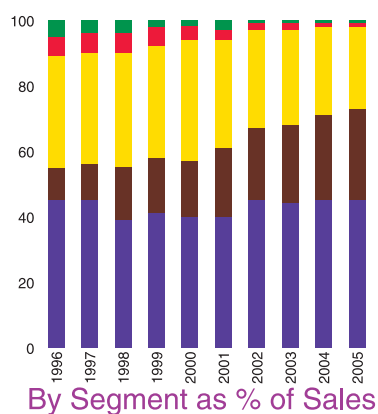
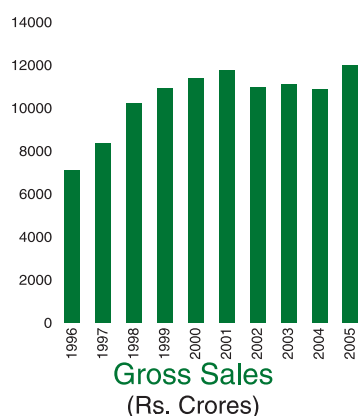
I thank you all for your continued support to the Company.

With my best wishes to all of you,



Harish Manwani

Performance Trends 1996-2005



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Sales (Rs. Crores)	7120	8343	10215	10918	11392	11781	10952	11096	10888	11976
By Segment % of Sales										
Soaps, Detergents & Household Care	45	45	39	41	40	40	45	44	45	45
Personal Products	10	11	16	17	17	21	22	24	26	28
Foods	34	34	35	34	37	33	30	29	27	25
Chemicals, Agri, Fertilisers & Animal Feeds	6	6	6	6	4	3	2	2	1	1
Others	5	4	4	2	2	3	1	1	1	1
EBIT as % of Sales	8.0	8.8	9.5	10.7	12.3	14.0	17.6	18.4	13.4	12.3
Fixed Assets Turnover (times)	9.9	10.5	9.7	10.0	9.5	8.9	8.3	8.1	7.2	8.1
Working Capital Turnover (times)	18.8	68.2	45.2	58.3	~*	~	~	~	~	~
Economic Value Added (EVA) (Rs. Crores)	272	365	548	694	858	1,080	1,236	1,429	887	1,014
E.P.S. of Re. 1 @	2.08	2.81	3.67	4.86	5.95	7.46	8.04	8.05	5.44	6.40
D.P.S. of Re. 1 @	1.25	1.70	2.20	2.90	3.50	5.00	5.16	5.50	5.00	5.00
P.A.T./Sales (%)	5.8	7.0	8.2	9.8	11.5	13.1	15.8	16.3	11.0	11.3
R.O.C.E. (%)	52.9	61.1	58.7	61.8	64.6	62.4	59.4	60.0	45.9	68.7
R.O.N.W. (%)	41.6	46.0	48.9	50.9	52.7	53.9	48.4	82.8	57.2	61.1

@ Adjusted for bonus issue

* Denotes working capital is negative

Board of Directors



Harish Manwani
Chairman



Douglas Baillie
Chief Executive Officer &
Managing Director



M. K. Sharma
Vice Chairman



S. Ravindranath
Managing Director
Foods



D. Sundaram
Director
Finance & IT

V.P. Legal and Company Secretary
Ashok K. Gupta

Registered Office
Hindustan Lever House,
165/166, Backbay Reclamation
Mumbai - 400 020

Solicitors
Crawford Bayley & Co.

Auditors
Lovelock & Lewes



A. Narayan
Director



V. Narayanan
Director



D. S. Parekh
Director



C. K. Prahalad
Director



S. Ramadorai
Director

Bankers

- State Bank of India
- Standard Chartered Bank
- Citibank N. A.
- Hongkong & Shanghai Banking Corporation
- Bank of America
- Deutsche Bank
- ABN-AMRO Bank
- Punjab National Bank
- Corporation Bank
- HDFC Bank
- ICICI Bank

Management Committee

Douglas Baillie

Chief Executive Officer &
Managing Director



M. K. Sharma

Vice Chairman



S. Ravindranath

Managing Director
Foods



D. Sundaram

Director
Finance & IT



Dhaval Buch

Executive Director
Supply Chain



Sanjay Dube

Executive Director
Sales & Customer
Development



Anoop Mathur

Executive Director
Speciality Exports



Nitin Paranjpe

Executive Director
Home & Personal Care



Report of the Directors and Management Discussion & Analysis

1. PERFORMANCE OF THE COMPANY

1.1 Results

Your Company's performance during 2005 is summarised below :

	Rs. Lakhs	
	2005	2004
Gross turnover	11975,53	10888,38
Turnover, net of excise	11060,55	9926,95
Profit before tax	1604,47	1505,32
Tax on profits	(249,96)	(306,05)
Exceptional Items	53,60	(1,93)
Net profit	1408,11	1197,34
Dividend (incl. tax on distributed profits)	(1260,25)	(1246,15)
Transfer to General Reserve	(142,00)	(125,00)
Profit & Loss Account balance carried forward	650,66	644,80

1.2 Key Ratios

The underlying performance can be ascertained from the following key ratios :

	2005	2004
Earnings per share (Rs.)	6.40 (per share of Re. 1/- each)	5.44 (per share of Re. 1/- each)
Dividend per share (Rs.)	5.00 (per share of Re. 1/- each)	5.00 (per share of Re. 1/- each)
Return on Net worth (%)	61.1	57.2

1.3 Turnover

Gross turnover for the year increased by 10% and net turnover increased by 11.4% primarily due to higher production in fiscal benefit zones. The sales of products in different categories, net of excise, appears below:

	Rs. Lakhs			
	2005		2004	
	Sales	Others*	Sales	Others*
Soaps, Detergents & Scourers	4928,94	32,77	4447,98	22,76
Personal Products	2907,88	44,00	2434,83	37,41
Beverages	1277,35	9	1192,89	1,66
Foods	313,72	—	285,07	—
Ice Creams	97,03	1,11	87,74	1,20
Exports	1347,80	—	1249,02	—
Others	187,83	55,37	229,42	45,31
Total	11060,55	133,34	9926,95	108,34

* The other revenue represents service income from operations, appropriated to the relevant businesses.

1.4 Summarised Profit and Loss Account

Rs. Lakhs

For the year ended 31 December,	2005	2004	Rate of growth%
Net sales	11060,55	9926,95	11.4
Other income	304,78	318,83	(4.4)
Total income	11365,33	10245,78	10.9
Operating expenses	(9617,22)	(8489,58)	13.3
PBDIT	1748,11	1756,20	(0.5)
Depreciation	(124,45)	(120,90)	2.9
PBIT	1623,66	1635,30	(0.7)
Interest	(19,19)	(129,98)	(85.2)
Profit Before Taxation (PBT) and exceptional items	1604,47	1505,32	6.6
Taxation : Current tax	(223,00)	(266,00)	(16.2)
Taxation : Deferred tax	(41,00)	(54,74)	(25.1)
Taxation : Fringe Benefit Tax	(30,00)	—	—
Taxation adjustments of previous years (net)	44,04	14,69	199.7
Profit After Taxation (PAT) and before exceptional items	1354,51	1199,27	12.9
Exceptional items (net of tax)	53,60	(1,93)	(2873.0)
Net profit	1408,11	1197,34	17.6

2. RESPONSIBILITY STATEMENT

The Directors confirm :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

3. CORPORATE GOVERNANCE

Certificate dated April 28, 2006 of the auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, is enclosed.

Your Company has been practicing the principles of good corporate governance over the years.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

4. CHANGE IN THE ORGANISATION STRUCTURE

Pursuant to changes in the Unilever operating framework, the organisation structure of your Company was simplified during the year by the appointment of a Management Committee comprising Mr. M.K. Sharma, Mr. D. Sundaram, Mr. S. Ravindranath, Mr. Anoop Mathur, Mr. Sanjay Dube, Mr. Nitin Paranjpe and Mr. Dhaval Buch under the leadership of Mr. Douglas Baillie, as CEO and Managing Director of the Company.

The new structure consisting of business and functional leaders aims at driving the agenda of creating and building dedicated consumer and customer resources and is poised towards achieving a greater organisational balance between 'Focus' and 'Scale' as a means to tap the market opportunities in the emerging economic and social conditions in India.

5. MANAGEMENT DISCUSSION AND ANALYSIS (MD & A)

As in the previous year, this Report includes MD & A as appropriate so that duplication and overlap between Directors' Report and a separate MD & A is avoided and the entire material is provided in a composite and comprehensive document.

6. PRODUCT CATEGORIES

This report records the business performance of the Company in a simplified structure with a sharper focus on power brands and categories in the combined (i) Home and Personal Care (HPC) Division and, an integrated (ii) Foods Division, comprising Beverages, Foods, and Ice Cream businesses. New ventures and Speciality Exports continued to operate outside these two Divisions.

6.1 Home and Personal Care Business

HPC markets which returned to growth in second half of 2004 sustained their revival and grew by 6.6% in 2005. The market continued to witness intense competitive activity both from multinational and local players. The business

also faced severe challenges on the cost front due to higher crude oil prices.

In this context your Company's sales grew by a robust 11.4%. The segment profit of the business grew by 6.6%, the profit impacted by cost and higher brand investments. A&P investments behind our brand increased by 20.3% to strengthen their competitiveness.

6.1.1 Soaps & Detergents

In the Soaps & Detergents segment, your Company sales grew by 11%. The segment profit however declined by 11.8% over 2004.

In fabric wash intense competitive activity continued. High crude oil prices resulted in increased raw material costs thereby affecting the margins. In this background Laundry category sales grew by a smart 16.3% achieving double digit growth for a second year in succession. Significant investments were continued to be made in product innovation and quality. During the year, Rin Advanced continued to strengthen its position and gained market share. The unique patented 'zero mineral' detergent bar "Rin Supreme" continued to grow strongly, backed by great product performance and advertising. Overall Rin portfolio grew in double digits.

Wheel, your Company's largest brand, crossed Rs.1,000 crores of sales in the current year. It was the fastest growing brand in HLL's laundry business growing at over 19%. During the year, Wheel was relaunched as "Lemon fresh" and this launch was backed by significant activation programmes. With its Active Wheel portfolio, the brand focused specifically on gaining market shares in Uttar Pradesh and Madhya-Pradesh. Backed by significant activation efforts in over 30,000 villages and with focus on "geographic specific strategy" Wheel gained 0.5% share in the current year.

The Surf Excel Quick Wash test launch in TN and AP in 2004 with low foaming properties that enables consumers to wash clothes effectively with substantial reduction in water usage, was nationally extended in 2005 summer. This was supported with a new advertisement campaign and activation programmes. During the year, Surf Excel Blue was strengthened with "Removes stains, not colours" campaign. This was well received by the consumer and the brand recorded healthy growth. The Surf Franchise also reinforced its emotional connect with consumers with the launch of new "Daag aache hain" (dirt is good!) campaign.

All these activities in fabric wash paid back well and the category reported a gain in market share of 0.3%.

In the Dish Wash category, Vim continued to grow on the back of the consumer relevant 'polycoat' innovation, which

was launched across the country in October 2005. This significant innovation has received wider acceptance with this brand recording a double digit growth in the current year and enabled the brand to be a strong market leader despite competition from regional players.

2005 has been a good year for the toilet soap category. After a consistent decline in the last 2 years the category achieved a value growth of 6.6%. However the category continued to witness intense competition from local and regional players. To meet the competition, investment in this category was significantly stepped up with Advertising spends increasing by over 32%. This strategy to plough back money into advertising to build brands, has helped kick-start growth in the category. Vegetable Oil prices remained largely stable during the year though prices started firming up towards the end of the year.

During the year the No.1 Soap brand Lifebuoy continued its growth momentum for the third consecutive year. The brand successfully leveraged the relaunch of 2004 through excellent activation in 2005 by “Health and Hygiene” in urban markets and “Swasth – Chetna” (Health Awareness) programme focused on rural markets. It also launched ‘save the children campaign’.

During the year Lux was relaunched with a new shape using superior technology. A novel sensory look was introduced with coloured “Bits” for the first time in the toilet soap category, to enhance the appeal and functionality of the product. In 2005 the Lux brand celebrated its 75th year of existence in India and this occasion was used to launch various activation programmes aimed at strengthening the brand's leadership and consumer intimacy.

This year also marked the turnaround of Hamam and Rexona, which was relaunched at the beginning of the year. Both the brands have grown well. Dove, a highly successful international brand, almost doubled its volumes for the second year in succession. This was achieved by offering a consumer attractive value proposition, focused distribution and trial generation programmes.

Breeze and Liril however, declined during the year and actions are in place to restore the growth in these brands.

6.1.2 Personal Products

In the Personal Products segment, sales grew by 19.4% and the segmental profit by 4.7% over 2004.

In the highly competitive category of Hair wash your Company achieved a strong growth of 32%. Your Company has three main brands, viz., Clinic Plus, Clinic All Clear and Sunsilk and all the brands grew in double digits. This growth was achieved by several innovations

and launches. Sunsilk silky strength was relaunched as Sunsilk Thick & Strong with proposition of solving the problem of breakage due to thinning hair. The new product Sunsilk 9 to 9 after wash combing lotion was well received by consumers.

In Clinic Plus growth was driven by the successful launch of an innovative shampoo plus oil through sachet pack. Clinic All Clear black variant was introduced with the benefit of hair fall reduction and dandruff.

It was another good year for the skin care category with a strong all-round performance by Fair & Lovely, Pond's and Vaseline. Fair and Lovely was relaunched with an improved formulation and packaging. Vaseline's growth was aided by successfully driving the usage of this brand in non winter months.

It has been a very good year for the talcum category. After a continuous decline for the past 4 years, talcum market grew this year and the growth was primarily driven by Ponds. The thrust on driving penetration in rural markets through Rs. 5 packs was very successful in expanding this category. A new variant of Ponds viz. Ponds Oil Control was successfully launched and was well received by consumers.

The toothpaste market which has been stagnating for more than two years grew in low single digits in 2005. In a highly competitive year, Close Up performed handsomely, growing well ahead of market with a very strong double digit value growth and increased its market share in its key markets of South India which contributes to almost half of the brand's volumes. Pepsodent performed satisfactorily with an NPS value growth of 6%, albeit with flat market shares for the year.

Lakme continued on its consistent high growth performance. During 2005 the Lakme Hair NeXT hair styling range was a notable extension of the brand in the hair care segment. A premium skin care line specially designed for oily skin, MATT EFFECT, received enthusiastic response both from trade and consumers. Lakme Beauty Salon business now operates from 88 locations.

Axe's deos were severely impacted in the past by the presence of imported “grey” products in the market. Your Company took a bold step of reducing prices by 25% to counter the grey products. This has resulted in significant volume uplift in the current year.

6.1.3 Customer Management

This was a year of transformation in customer management with strong focus on winning customers at PoP (Point of Purchase).

Your Company took several initiatives to delight its customers, both distribution and trade. A major re-organization of sales structure was done with the objective of achieving excellence in execution at the point of purchase. Focused efforts are being taken to build sales capabilities by leveraging IT. Roll out of RSnet - the tool for electronic connectivity - with the distributors has progressed well and enhanced the speed and accuracy of sales and stock holding information from the distributors. Initiatives such as continuous replenishment of stock enable better management of distributor's investment.

The pro-active initiative of your Company in creating dedicated channel teams for Modern Trade and Rural has been successful.

6.1.4 Supply Chain

Year 2005 witnessed unprecedented increase in petroleum and petrochemical costs. This contributed to substantial inflationary pressure on raw material, packaging material and distribution costs. Your Company's sharp focus on cost reduction programmes mitigated this cost pressures to a considerable extent. In this your Company continued to benefit from Unilever's global and regional strengths, which led to significant buying cost advantages. Strategic alliances with many international and local vendors led to development of new technologies, new materials and joint cost reduction programmes, the benefits of which were shared between your Company and the concerned vendors.

Towards the end of 2004 your Company commissioned two new factories at Uttranchal and Himachal at a total investment of Rs. 220 crores to meet the growing demand and to derive supply chain benefits. Production in the new factories has been successfully scaled up and benefits of these locations have been realized as per plans. Several vendors have also set up supporting ancillary units in these two locations, which has led to significant employment generation, in line with the Government policy of enhancing employment opportunities in such areas.

6.1.5 Kimberly Clark Lever Pvt. Ltd.

Kimberly Clark Lever Pvt. Ltd. (KCL), the joint venture between your Company and Kimberly Clark Corporation, USA, had yet another year of good performance. Turnover grew by 26% to Rs. 107 crores while volumes grew by 21%. This was the second successive year for the JV where it achieved 25%+ growth. Cumulative losses have been completely wiped out and the JV is now poised to pay dividends to its shareholders. The JV has also expanded its capacity for manufacturing diapers, and has also tied up with a contract manufacturer to manufacture Kotex sanitary napkins. Huggies continued to be the market leader in

diapers and grew volumes by 31%. A new range of imported diapers was rolled out as Huggies Ultra-Comfort and met with good response. In the sanitary napkins category, Kotex faced severe competition from market leaders but still grew volumes by 15%. Towards the end of the year, a new range of Kotex was launched as Kotex Maxi and Kotex Ultra and received encouraging response.

6.2 Foods

The Foods division of your Company (comprising the Beverages, Processed Foods and Ice Creams businesses) recorded an excellent performance during 2005 with a double digit top line growth and significant improvement in profitability. In its first full year of operations significant operational efficiencies and cost synergies have been realized, thereby making the business fit to accelerate its growth profitably.

The highlights of the individual product categories are given below :

6.2.1 Tea

Our consistent strategy of building Brooke Bond and Lipton as mega brands to consolidate and strengthen your Company's leadership in the packet tea market has yielded positive results. Brooke Bond and Lipton grew handsomely for the third successive year. High impact consumer advertising and strong activation have strengthened the brands and significantly expanded its consumer base. During the year, Red Label Natural Care with 5 natural ingredients was launched to strengthen its 'family care' position, to help the family stay healthy. To tap the huge opportunity at the bottom of the pyramid, value packs at price points of Rs. 10/- and Rs. 2/- were aggressively built, particularly in small towns and rural markets. The sustained focus on brand building, innovation and aggressive distribution expansion has helped your Company to gain share in the overall category and establish Brooke Bond as the largest brand in the packet tea market.

Lipton continued its aggressive growth by focusing on youth and leveraging HLL's strong presence in the Out of Home channel. Lipton has also established its strong presence in the Modern Trade channel. During the year, Lipton Ice Tea was launched in 14 cities using the Pepsi distribution system, under our strategic partnership with them.

The business continued to record sustained profitability through its focused brand portfolio and streamlined supply chain and cost management.

6.2.2 Coffee

The Coffee business had another excellent year, with strong growth both in Instant and Roast and Ground (R&G)

categories. Our strategy to strengthen the brand equity of Bru through clutter breaking and highly visible communication, coupled with world-class activation led to significant share gains, making it the leader in the branded coffee market. During the year, exciting formats like Cappuccino were successfully launched to recruit new consumers and strengthen the Bru's channel leadership particularly in the Modern Trade channel. The satchets format continued to aggressively drive category expansion, while contributing significantly to the brand's growth.

6.2.3 Processed Foods

Processed Foods business delivered a strong performance during 2005. As reported last year, a series of steps were undertaken to streamline the supply chain, including reduction of pipeline stocks, heightened focus on product freshness and significantly improved customer service. These have all been successfully implemented. During the year, Knorr and Annapurna brands were relaunched with improved mixes. The response in the market place has been very encouraging as indicated by the growth numbers. The profitability of the business has also improved considerably. Annapurna Atta and Salt were relaunched with significantly improved product and contemporary packaging. This, coupled with focused investment in advertising and channel activation has helped the brand to regain its growth momentum.

Kissan brand has been comprehensively relaunched with a distinct identity in early 2006. A strong marketing mix including aggressive media, high visibility and activation have been planned to strengthen Kissan's strong equity among consumers as the family nutrition brand.

6.2.4 Ice Creams

2005 was a good year for the Ice Cream business with a double digit top line growth and positive bottom line for the first time in its history. The business continued its strategy of driving growth by focusing on availability, affordability and excitability. Availability was improved by an order of magnitude in all channels, viz., the traditional channel, mobile vending channel and parlours. The business launched Cornetto Chocobloc and Bikimax, two new exciting products, to add to its exciting product range. A highly noticed media and outdoor communication, supported by a powerful activation platform have helped in establishing Kwality Walls visible presence across the country. Extensive cost re-engineering programmes, particularly in manufacturing, have been implemented to improve the cost structure of the business including purchase of sourcing rights for North Indian markets. The business is well poised to sustain its good performance of 2005 in future.

6.2.5 Modern Food Industries (India) Limited (MFIL)

Modern Food Industries (India) Limited (MFIL) reported an operating profit in the Bread business (before depreciation, interest and restructuring/exceptional items and excluding profit on sale of assets of Rs. 221 L in 2005, against a loss of Rs. 74 L in the previous financial year. This is in line with HLL's strategy to turn around the Company.

Among the key actions during the year 2005 was the closure of the loss making units in Chandigarh, Ahmedabad and Indore in MQ. Further, the Delhi bread unit, which was the single largest loss-making unit of Modern, was also fully closed in Nov. 2005. The restructuring was done through peaceful separation of the workers under appropriate VRS schemes. Post the closure of own manufacturing in these geographies, the bread operations were handed over to newly appointed franchisees under a Licence agreement.

Own bread sales in continuing units grew by 6.8% in 2005. The Bread business continued to focus on loss-reduction coupled with profitable growth and margin improvement, in continuing units. On a comparable basis, 2005 showed an improvement in Bread gross margin over the previous year, by 270 basis points. Margin improvement was aided by closure of the loss making units, cost efficiency measures in continuing units - especially in the area of energy saving, reduction in unit overheads, improvement in manufacturing efficiencies and supply chain initiatives in wheat procurement, maida contracting in season and yeast sourcing.

Up-gradation of Quality and Consumer Safety standards, being one of HLL's key priorities, was progressed as per plan in 2005, and Kolkatta and Bangalore bread units were put up for audits by specialist Unilever quality audit teams; Mumbai and Chennai units had been cleared by audit study teams in 2004. Quality audits for the remaining 2 units at Cochin and Hyderabad are scheduled for 2006.

6.3 Speciality Exports

The Speciality exports business achieved an NPS of Rs. 594 crores for the year 2005. The value added portfolio currently being focused grew by 21%. The business incurred a segment loss of 11%.

6.3.1 Castor

Castor business registered a growth of 2% over 2004. The Derivatives segment, which is the next step in value chain, registered a significant growth of 23% over 2004 in sales. In this segment, Company started to service the customers in the Middle East. The product list was expanded with the addition of superior grade of HSA/HCO powder.

6.3.2 Marine

Tsunami at the end of the previous year severely affected the entire supply chain infrastructure on the east coast thereby reducing fish availability. This along with the anti dumping duty in the US on Shrimp exports and the declining US dollar impacted the Indian shrimps industry during 2005.

To address the issues faced by the Marine industry in India for over 2 years now, HLL developed and launched several value added products like Breaded Shrimps, Marinated shrimps and squids and Seafood mixes in US and EU markets in 2005. This segment offers better potential and is likely to be the growth driver in future. The value added products, along with Surimi and Crabsticks business registered a growth of over 50% over 2004.

Several new customers in markets such as Romania and Switzerland in EU, Russia, Taiwan, Uruguay and Mexico were developed for the shrimps business, while Italy was added in Crabsticks business.

The business was awarded the highest overall exporter of seafood from India, highest value added seafood exporter's award as well as an award for special efforts for new products and new markets by MPEDA for the year 2004-05. This is the 5th consecutive year that HLL has won the awards for overall exports and value added products. Besides, the seafood factories at Chorwad and Aroor received higher level of British Retailers Consortium rating and top rating by internal UQCSR (Unilever quality and consumer safety norms).

6.3.3 Rice

The Rice brands grew by 11% led by a significant 93% growth in Rozana brand in the popular segment. The branded business currently constitutes over 55% of the total Rice Exports business. Strong brand growth has helped the business to put into action its new strategy of focusing on Brands in specific geographies. Strong growth in Rozana, leading position of some of the brands in Kuwait and Oman and Gold Seal Indus Valley Rice activation in North America with the new marketing mix have been some of the major achievements in 2005.

6.3.4 Leather

Ponds Exports Ltd.

Leather Business under Ponds Exports Ltd. (a 100% subsidiary of your Company) maintained its markets in Footwear and Upper business segments.

Europe, our major market was sluggish and the market growth has been slow in Germany. Retailers in Europe are dropping prices to improve sales with China continuing to

dominate the scene. However, HLL maintained its customer list with Hush Puppies and Gabor as key customers and strengthened it further with increased business from new customers like Primigi and GBB in France and Kiaya in Portugal. An old customer for shoes business, Josef Siebel returned to India and to HLL.

6.4 New Ventures

6.4.1 Water

Your Company has developed Pureit, the most advanced water purifier in the world, because it is the only in home water purifier that gives as safe as boiled water without boiling and without needing electricity or continuous tap water supply. Pureit removes all harmful viruses, bacteria, parasites and pesticides and therefore provides complete protection from all waterborne diseases like jaundice, diarrhea, typhoid and cholera.

Pureit has been test launched in a few cities of Tamil Nadu in 2005 and the response has been encouraging. This has been launched at a price affordable to the common man and the cost of water from Pureit is even cheaper than cost of boiling. A unique business model has been established for customer acquisition and sale & distribution of the product. This involves consumers going through an experiential brand interaction in specially created Pureit Safe Water Zones, and in consumer homes.

The business is currently building its capability with respect to manufacturing, supply chain, and information technology as a precursor to a wider geographic rollout.

6.4.2 Hindustan Lever Network

Hindustan Lever Network is a multi-category business opportunity started in 2003, in the area of network marketing. Network marketing has now become a 100 Bln \$ business globally, with higher growths in Asian markets in recent past.

Your Company has given opportunities of self-employment to 74,000 new members and the base of self-employed entrepreneurs in the network business has crossed over 4,00,000. A vibrant training organization with a capacity to train 35,000 persons per month is in place providing customized training to our members across the country. Hindustan Lever Network is now present in over 220 locations across the country servicing over 1400 towns.

Based on superior consumer understanding and Unilever's world-class technology, 12 new products were launched during the year. This included expanding the Foods range, health range, and personal care range. The rapid pace of innovation has ensured maintenance of market shares in 2005 in the home and personal care segment in network marketing.

During 2006, Hindustan Lever Network would further build the channel capability. In addition, capabilities in Training, Information Technology, Supply Chain would be further upgraded to achieve sustainable competitive advantage.

6.4.3 Project Shakti

70% of Indian population lives in 6,27,000 villages and these markets with their large population present a significant opportunity for your Company. Over two thirds of these villages are not easily accessible due to poor infrastructure and lack of business viability. 'Shakti' is our unique, win-win programme addressing this opportunity. 'Shakti' operates through 3 initiatives.

Shakti Ammas provide micro-enterprise opportunities for women from Self-help-groups (SHG's) making them independent women entrepreneurs as direct-to-home distributors of your Company. This network of entrepreneurs has **doubled your Company's direct rural reach**, with 18,222 Shakti entrepreneurs covering 71,977 villages in twelve states at the end of 2005. Moreover, Shakti entrepreneurs visit and sell to over two million rural homes every month, creating a unique, sustained rural direct-to-home channel. Your Company aims to reach 600 million consumers in 5,00,000 villages through 1,00,000 entrepreneurs by 2010.

Shakti Vani is a communication initiative that seeks to improve the standard of living in the rural community. Village women are trained as 'Vanis' and disseminate information on basic hygiene practices, adoption of which will dramatically improve the health & hygiene standards in the villages. Shakti Vani coverage has doubled to 20,000 villages across four states in 2005. Shakti Vanis through communication creates awareness for health and hygiene and this helps in developing growth opportunities for such products in the rural India.

ISHakti is a rural community portal that provides relevant and valuable information for the rural populace. Information is available on areas such as agriculture, health and hygiene, education, veterinary, legal, employment, etc. thus filling the information gap that exists in the villages and unlocking rural productivity and prosperity. The site is completely in local language with text to voice facility enabling even the illiterate to get benefit of information. IShakti is currently available in over 1,000 Kiosks. IShakti makes available information useful/relevant to rural consumers. IShakti also gives platforms for advertising the products and creating awareness on the benefits of its use, apart from generating revenue through selling spaces on the portal to other companies.

'Shakti' provides significant benefits for all its participants. For the SHG women, it provides a stable, sustainable source

of income. For villagers, this channel has become a source of genuine and correctly priced products. Access to basic health and hygiene information through Shakti Vani and other relevant information through IShakti is improving living standards and unlocking rural prosperity in the villages. For your Company this initiative provides discontinuous increase in rural distribution doubling our rural coverage.

6.4.4 Consumer Health Care

The Ayush range of Ayurvedic products offer health and beauty benefits by combining ancient Ayurvedic knowledge with clinical efficacy of modern science. These unique formulations have cleared rigorous test protocols and are backed by endorsement from the reputed Arya Vaidya Pharmacy, Coimbatore. In addition to gaining deep knowledge of Ayurveda, the business has built a strong technological foundation for Ayurvedic product development and safety clearance protocols along with sourcing and testing of herbs. This would be leveraged to develop Ayush range of products for future.

The business is being developed strongly on two legs - direct selling and health and wellness services through a franchise operation. Ayush is the first Ayurvedic brand to get into Therapy Centers. Ayush Therapy Centers show promising signs of an independent business opportunity. The revenue from centres have more than doubled in 2005. Currently, Ayush Therapy Centers are present across 7 cities of Chennai, Bangalore, Mumbai, Hyderabad, Goa, Pune and Delhi. During 2006, it is planned to double the reach through additional centers.

Ayush Spa range which was extended in direct selling channel through HL Network in 2004, has received excellent response registering 50% + growth. During the Year, 3 new products were launched under Ayush brand, expanding the health care range.

6.4.5 Sangam Direct

Unilever India Exports Limited (Previously known as Indexport Limited)

Sangam Direct, the direct to consumer e-tailing initiative, services orders placed by customers on phone or e-mail within 24 hours. During the year, Sangam was extended to south Mumbai and with this, it now services the whole of Mumbai. Revenues from Sangam have grown by 60% in 2005.

Sangam offers a unique convenience benefit to customers which is increasingly relevant in urban areas. Over 1,40,000 families have already tried out the convenience offered by Sangam. The Company will take a view on this business model bearing in mind relevant considerations such as channel conflict, scalability and viability of the business to contribute to the growth of your Company.

7. RESEARCH & DEVELOPMENT AND TECHNOLOGY

Robust technology initiatives are in place to deliver sustainably enhanced consumer value through HLL's brands. The R&D programmes are aligned to deliver "vitality" to consumers through the entire spectrum of HLL's products. Some of the initiatives have already succeeded and several more are in the pipeline.

Contamination in drinking water is a major source of diseases in India and many parts of the world. Providing cost-effective and convenient solutions to consumers to purify water in-home is the objective of one of our R&D programmes. This work had resulted in the development of a new hybrid technology, which provides consumers freedom to purify water, irrespective of the source and also whether or not they have running tap or electricity. This product was successfully test marketed in Chennai and other parts of Tamilnadu. R&D continues to produce new inventions and refinements to enhance the value of this product. Plans are in place to roll this out to other parts of the country.

Robust research programmes are in place to derive maximum consumer value from the rich source of traditional Ayurvedic knowledge. A framework to assure the safety of herbal/natural products was developed and this framework is expected to be the foundation for clearance of herbal products for use anywhere in the world. A series of research programmes have been initiated to offer the benefits of specific performances of Ayurvedic herbs and formulations through home and personal care, as well as food products. One of the early examples of the success of this programme is the launch of Brook Bond *Nature Care* tea. Primary focus in the R&D programmes in the area of tea is to enhance the health benefits of tea. There is also a significant research programme to offer enhanced nutrition to Kids as well as adults. Several R&D advances are in the innovation pipeline of foods and HPC. These also include scientific rationalization of Ayurvedic therapy.

Rollout of improved dish-wash bar was extended to many other parts of India. The polymer coated dish wash bar provides distinctly superior in-use economy to consumers.

Technology to reduce occurrence of acne was developed and incorporated in a specific variant of Lifebuoy that was launched in 2005. A mild soap bar that is especially suitable for kids was developed. Skin lightening is a key focus area in R&D, seeking herbal and other actives for skin creams with better control of skin colour.

Role of technology in providing superior consumer value is well engrained in HLL's business strategy and your

Company's R&D is pursuing it with increasing intensity, facilitated by several new initiatives to advance the *researching process*. These include Science Monday PM, Guiding Measurements, Cross-functional Scoping of Research Projects, and Partnering with Complementors. These processes are serving to provide new directions for areas, such as Laundry, that would be otherwise deemed "mature."

8. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Your Company's focus and attention continued throughout the year on the important key result area of Occupational Safety and Environment Management. The only acceptable standard of Safety performance for your Company envisions "zero accidents". The Accident Frequency Rate, already one of the lowest amongst Unilever Companies worldwide, continued its reducing trend during the year.

The safety journey of your Company with an intensive focus on behavioural aspects of safety, along with continual improvements in engineering controls and safety management systems, made good progress. The behavioural safety training has now covered more than 2500 managers and officers. Clear signs of increased positive safety behaviour are becoming evident through one-to-one safety contacts being made by management staff with our employees. This is also serving to reinforce the implementation of Unilever's Framework of Standards aligned to international standards of ISO 14001 / OHSAS 18001 which has significantly progressed as measured through independent periodic audits. During the year, Rajpura factory was certified to ISO 14001 and OHSAS 18001 standards.

Your Company received the "Good Corporate Citizen" award from Bombay Chamber of Commerce and Industry. Tatapuram and Tindivanam factories received awards for exemplary safety performance from National Safety Council (Kerala Chapter) and the Government of Tamil Nadu respectively.

Your Company's ongoing programmes for continuous reduction of the environmental impact of operations have further reduced the environmental load of key parameters. These continue to remain well below the statutory requirements, with annual reduction targets for individual manufacturing sites monitored on a monthly basis. Your Company has recorded further reduction in specific energy and water consumptions of 10% and 13% over 2004, through productivity improvements, use of alternative sources of energy and recycling / reuse of energy / water where feasible. Further your Company's new detergent formulation, currently in the market, is helping to

significantly reduce consumption of fresh water - a national resource in short supply in many parts of the country - by requiring less water for washing at the consumer's end. To conserve ground water, your Company has progressed rainwater harvesting projects at the manufacturing sites. Other ongoing sustainability projects such as greening of barren land in and around factories, vermi-composting of wastes into value added fertilizer supplement for cultivation and sustainable agricultural practices in tea plantations have also progressed well.

9. PERSONNEL

The HR agenda 2005 focussed on delivering distinctive people and organizational capabilities, embedding a culture of seamless team working and enhancing productivity in our manufacturing units through the process of bilateral negotiations.

To enhance our leadership capabilities, a number of managers in leadership positions were provided with coaching inputs to imbibe and practice an inclusive style of leadership. The importance of flawless execution has been driven by the leadership team and initiatives in this area have improved the level of strategic clarity and level of alignment to the vision and annual goals of the business. This has helped build our execution capability. Through continuous communication and engagement, spirit of co-creation and team bonding events, a culture of vitality has been embedded. The culture of working in cross functional teams to achieve the priority business goals was driven with a lot of passion and commitment. Team building interventions have been carried out for all teams with positive feedback at evaluation stage and visible shifts in the quality of team effectiveness.

During 2005, TPM gains were further consolidated and 5 sites achieved TPM Consistency Award and 5 sites achieved TPM Excellence award and with this, 25 sites in HLL have been accredited by JIPM till date. TPM is also being extended in supply chain and modest beginning has been made in our depots at Mumbai branch in 2005.

The Employee Relations in your Company continued to be positive. During the course of the year, productivity linked LTS were signed in 6 of our units through a process of bilateral negotiations with the employee representatives.

Your Company has introduced organizational changes in line with the global One Unilever operating framework to sharply focus on the 'Go-to-market' and Brand Building capabilities. The consequent movement of people and the transition arrangements have been managed in a smooth and seamless manner ensuring the retention and motivation of our talent pool.

The Company is alive to its responsibility towards the society in the area of creating opportunities for Schedule Castes,

Schedule Tribes and Other Backward Communities. The Company has taken conscious efforts in giving employment opportunities within the organization to such classes of our society. From the internal audits carried out by the Company, it is evident that 12% of the employees belong to SCs and 7% belong to STs. You may be gratified to note that the Company created upto 55% employment opportunities in the reserved category, including employment of 36% OBC, without compromising on our principles of meritocracy.

Your Company believes taking affirmative action of training members of this community so as to enable them to compete with general categories in seizing opportunities for employment and entrepreneurship. Society at large will benefit from such initiatives without impacting cost, quality or competitiveness of the business.

10. MERGERS/ACQUISITIONS AND DISPOSALS

10.1 Merger of Five subsidiary companies

The Company had several subsidiary companies, which had over a period of time come into company's fold, consequent to the amalgamation of TOMCO, Brooke Bond Lipton India Limited and Pond's India Limited. Your Company had undertaken an exercise to evaluate the commercial rationale for maintaining each of these subsidiaries and it was considered that a consolidation of the activities of these subsidiaries would not only simplify the accounting processes but will also add significant value to the business by elimination of complexity. Accordingly the Company had sought the approval of the shareholders and the High Court, pursuant to which the following five subsidiaries of the Company merged with your Company as of December 30, 2005 with effect from the respective Appointed Dates stipulated in the Merger Scheme approved by the High Court of Mumbai.

- Lever India Exports Limited
- Lipton India Exports Limited
- Merryweather Food Products Limited
- TOC Disinfectants Limited
- International Fisheries Limited

10.2 Merger of Vasishti Detergents Limited with Hindustan Lever Limited

Vasishti Detergents Limited (VDL) came into the fold of your Company as a result of amalgamation of the Tata Oil Mills Company Limited (TOMCO). Your Company held 32.9% shareholding in VDL. VDL was merged with your Company on February 28, 2006 pursuant to a Scheme of Arrangement sanctioned by the Hon'ble High Court of Bombay with retrospective effect from July 1, 2005, the Appointed Date. VDL had manufacturing facilities for manufacture of toilet soaps and detergents at Chiplun in Maharashtra and had been engaged in producing goods

for your Company. While the 32.9% shareholding held by your Company have been cancelled, the remaining shareholders of VDL have been allotted one fully paid equity share of Re. 1/- each of your Company for every ten equity shares of Rs. 10/- each held by them in the capital of VDL. The Company had fixed March 31, 2006 as the record date by reference to which the shares of HLL have been allotted to the shareholders of VDL. Shareholders of VDL who have become shareholders of your Company, would also be entitled to receive the interim dividend of Rs. 2.50 per share of HLL, which was declared on July 30, 2005.

10.3 Transfer of the Sewri undertaking to Bon Limited

Pursuant to approval of shareholders, the soap and soap intermediate manufacturing facilities at Sewri in Mumbai were transferred to Bon Limited on 17th July, 2005 as a going concern at the net book value of assets plus actual working capital employed as on that date. The transfer entailed inter-alia transfer of all willing employees to the rolls of Bon Limited, with continuity of service and full protection of their existing terms and conditions of service. For this transfer your Company invested Rs. 10.00 crores of additional capital/funds, which enabled Bon Limited to acquire assets worth Rs. 8.33 crores, from the Company as part of the slump sale, balance being retained in cash. Your Company has offered fixed commitments both in terms of returns as well as orders to Bon Limited apart from an undertaking to pay a minimum guarantee of Rs. 11.50 crores per annum for three years in case of shortfall in orders placed on Bon Limited.

The Company has thus facilitated Bon Limited to achieve a simple organization structure with lesser overheads. The Company also has an opportunity to explore relocation of its activities and/or commence additional business through other satellite manufacturing units. It is expected that the risks and rewards of the performance of the undertaking would be fully shared by all the stakeholders viz. the Consumers, Shareholders and the Employees / Workmen. It will enable a fair comparison of the unit as a sourcing location for personal wash products / toilet soaps with other available alternatives on the basis of conversion costs. It will further bring a sharper focus on the need to reduce costs while encouraging enhancement of productivity to overcome the inherent disadvantages.

However, there have been challenges in making the activities of Bon Limited competitive in cost, viable and profitable due to non-cooperation and rigid attitude of the workers. Bon was expecting that with a lean management and their desire to revive the Company, workers' support would be forthcoming but due to confrontations on the part of the workmen, Bon witnessed an erosion in its net worth during the year and had to be reported to BIFR as a potentially sick Company with erosion of 50% of its peak net worth.

The current outlook for the business appears to be dismal and unless the current trends are reversed with active cooperation and collaboration of workforce the Company will soon become a sick company with full erosion of its networth.

10.4 Disposal of the Functionalised biopolymers business

In December 2004, your Company had obtained approval of its shareholders through postal ballot for divestment of its functionalised biopolymer business in line with Company's focused business strategy and consequent exit from its non-core businesses.

The said business comprised manufacture and marketing of tapioca and corn based specialty modified starches mainly for the paper industry. The business pioneered the concept of wet-end starch use in paper making in India and enjoyed a dominant market share in the high-end paper starch segment.

This business was transferred to Riddhi Siddhi Gluco Biols Limited (RSGBL), India's largest integrated corn-wet-miller with a turnover of Rs. 200 crores on a slump sale / going concern including the manufacturing facility at Pondicherry together with employees directly relevant to the business with continuity of service and full protection to existing terms and conditions of service.

10.5 Scheme of Arrangement for Demerger of the Plantations business of the Company in the State of Assam and Tamilnadu to Doom Dooma Tea Company Limited and Tea Estates India Limited respectively

Your Company had undertaken Demerger of its operations in the area of growing of tea and its processing to CTC or orthodox teas and its sale as garden teas in the State of Assam and Tamil Nadu, on a going concern basis, into two independent and separate Companies, being 100% subsidiaries of the Company, known as Doom Dooma Tea Company Limited and Tea Estates India Limited, respectively as the Resultant Companies consequent to such Demerger.

Following the approval of the shareholders, the Hon'ble High Court at Bombay has passed an order dated November 23, 2005 approving the Scheme of Arrangement for Demerger and transfer of Tea Divisions of Assam and Tamil Nadu of your Company to Doom Dooma Tea Company Limited and Tea Estates India Limited respectively, with effect from April 1, 2005, the appointed date of the scheme.

10.5.1. Transfer of Doom Dooma Tea Company Limited (DDTCL)

Pursuant to transfer of business as above, in the first quarter of 2006, your Company's 100% shareholding in Doom

Dooma Tea Company Limited was transferred to McLeod Russel India Limited (MRIL), a lead industry player in tea plantations. DDTCL owned seven tea estates spread over approximately 3,100 hectares and 3 factories for processing of teas in Assam, the average output from which has been approximately 6,000 metric tons.

10.5.2. Transfer of Tea Estates India Limited

The Company also transferred in the first quarter of 2006, its entire shareholding in its 100% subsidiary Tea Estates India Limited (TEIL) to Maxwell Golden Tea Private Limited (MGT), a Woodbriar Group company on March 1, 2006. TEIL owns 8 tea estates and 6 factories for processing tea in Tamilnadu with an average annual output of approx. 10,500 metric tons.

The Company has thus completed its exit from its tea plantations business both in Assam and Tamil Nadu.

10.6 Sale of NIHAR Brand and related intellectual property rights to Marico Limited

As a part of Company's portfolio rationalization strategy, in the first quarter of 2006, the Company disposed off its "Nihar" trade mark along with related intellectual property rights to Marico Limited both for the domestic and a number of overseas markets for an aggregate consideration of Rs. 216 crores.

Nihar had a current annualized turnover of about Rs. 120 crores spread over two segments-filtered coconut oils (edible grade) and perfumed hair oils. Your Company will continue to operate in the perfumed and value added hair oil segment but has agreed not to compete in the edible coconut oil segment.

11. EMPLOYEE STOCK OPTION PLAN (ESOP)

Details of the shares issued under ESOP, as also the disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in the Annexure to this Report.

None of the management employees or wholtime directors have received options exceeding 5% of the value of the options issued for the year ending December 2005.

Likewise, no employee has been issued share options, during the year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

Adoption of the Global Share Performance Scheme in place of ESOP

On a review of the operating experience of Stock Options acting as a measure to reward and motivate employees as also to attract the talent and retain the key employees and bearing in mind the changes in the global trends on management rewards, it is proposed to change the reward

component in the Stock Option Scheme to a Stock Grant Scheme. The Stock Grant Scheme would be triggered in line with the earlier scheme by Unilever's global performance. The Stock Grants would be made in the ratio of 48:52 for HLL and Unilever Plc/NV, as was the practice in the past. The cost of grant of Unilever Plc/NV shares as also HLL shares would be absorbed by HLL and treated as remuneration of the employees.

Accordingly, it is proposed to formulate a new Scheme for grant of "Performance Shares" which is the most commonly used form of long-term incentive other than stock options to replace the "2001 HLL Stock Option Plan" to give effect to the Grants to be made in 2006. In the new Plan, grants will be made of conditional rights to receive shares in HLL at nil cost, at the end of 3-year performance period. The performance measures for vesting will be Unilever's underlying sales growth and free cash flow.

The performance shares will be issued within the existing approved limit of 1,50,00,000 equity shares of Re. 1/- each, part of which remain unutilised after grant of options till date.

Necessary proposals for approval of the Share Performance Scheme are being placed before the members at the Annual General Meeting for adoption by way of Special Resolution.

12. CORPORATE SOCIAL RESPONSIBILITIES

It was a year of initiating a journey for qualitative up-gradation of Corporate Responsibility (CR) at HLL. To begin with, attempts were made to align CR with the vision at HLL, which is "To earn the love and respect of India, by making a real difference to every Indian". The vision has the power to posit CR as a way of conducting business much before it becomes a profit distribution function, as in this way, real difference could be better achieved. At a strategic level, it also means revisiting the rationale for CR at HLL in order to factor in impacts on stakeholders affected due to our operations as also the forces unleashed by globalisation. This way, the Company could enhance its contribution to national development, an imperative for improved sustainability and growth of business. At the operational level, it places a need to perceive CR as strategic long-term business engagements intrinsic to business processes, thereby infusing a two way accountability, on the one hand ensuring business processes are responsible while on the other making CR investments accountable to business.

In order to make a better development impact as also achieve a sense of satisfaction by playing a role in society places a demand on time of our employees as well. Around 9% of our resources for community involvement thus came in the form of employee time. This time ranged from their involvement in Ashadaan – an institution of Missionaries of Charity in Mumbai founded by Mother Teresa, supported by us right from its inception to supporting children from

the disaster affected Yashodadham village near Bhuj to find a good school for their education including screening children in a pre interview process and supporting them through scholarships upon their selection in the schools.

As reported in last year's Directors Report, your Company has handsomely contributed to the Tsunami relief work by donating Company products carrying a retail value of approx. Rs. 8 crores for free distribution to affected families. The Company had planned to spend a further amount of approx. Rs. 3 crores inclusive of contributions made by employees to restore means of livelihood to affected fishermen. However, Company received a request from State Government that there was a more pressing need for providing rehabilitation of Tsunami affected families by provision of housing particularly in the city of Chennai. Your Company accordingly decided to gift a plot of land admeasuring approx. 5.76 acres at Tondiarpet at Chennai forming part of its surplus real estate for this purpose. It is also proposed to make a provision for setting up of ration shop, community hall and a nursery school for public use on this plot using contribution upto Rs. 50 lakhs made by the Company employees for this purpose. Your Company was also at the forefront of providing relief to affected fellow citizens of Mumbai after the torrential rains and floods in Mumbai and incurred a cost of over Rs. 1 crore for this purpose.

13. INFORMATION TECHNOLOGY

Your Company has continued to leverage information technology for business value and to create capabilities for the future.

Significant progress has been made during the year to strengthen use of technology for sales and field activities. In the course of the year, we had all our redistribution stockists move to a continuous replenishment system, leveraging the internet. This has enabled us to improve customer order fills and the operating efficiencies of our stockists. We are now in the process of implementing a standard transaction system across all our stockists. We have also leveraged IT to improve service to the emerging Modern Trade Channels. Process Improvements in Sales and Customer service, enabled by innovative use of IT will continue to be a thrust area in the coming years.

We continue to leverage IT to realise greater value in Supply Chain. End-to-end supply chain planning and optimization tools have helped to improve stock availability while reducing supply chain costs. Information Management Systems and Dashboards help provide visibility across the supply chain.

All key financial processes are carried out through fully IT-enabled Shared Service Centres. This has helped us improve service levels to stakeholders, while ensuring controls and improving productivity.

Your Company is in the midst of a significant initiative of

adopting SAP based transaction systems. This will help create a robust and responsive IT capability that will be a foundation for initiatives in the future. As part of this programme, we would have significantly re-engineered and simplified our business processes, fully leveraging the power of IT.

Your Company continued to invest in IT infrastructure to support business applications. We now have a core virtual private network using MPLS technology, supplemented by high bandwidth VSATs for the remote locations. We are also enhancing computing server infrastructure, especially to power the SAP initiatives.

In all these initiatives Information Security and a reliable disaster recovery management have been ensured. We carry out regular exercises to identify vulnerabilities and plug them systemically.

Your Company views IT as a strategic tool to enhance business value and enable new ways of doing business.

14. SHARED SERVICES

Unilever India Shared Services Limited (previously known as Indigo Lever Shared Services Limited) was engaged by your Company to provide financial shared services in the areas of Sales Commercial, Manufacturing Commercial apart from other IT enabled shared services for its Corporate Offices.

In addition the shared services model is also being extended to Unilever companies in Australia, New Zealand, Malaysia, Singapore and the United Kingdom. Operations for Australia and New Zealand were expanded with the addition of Accounts Receivable processes. Project work was also carried out for a number of Unilever companies in the Asian region. It also provides services to Unilever Companies in relation to the Operational Control Assessment and for compliance with the provisions of the Sarbanes Oxley Act 2002.

15. FINANCE AND ACCOUNTS

Your Company delivered a strong performance in cash generation during the year driven by the business performance, enhanced capability of the supply chain and efficient collection system. In the context of a significant increase in interest rates, your Company managed the investments prudently by deployment of cash surplus in a balanced portfolio of safe and liquid debt market instruments; returns earned were higher than market benchmarks.

The total amount of fixed deposits taken by the Company as of December 31, 2005 was Nil. Deposits amounting to Rs. 11.13 lakhs were unclaimed by depositors as at December 31, 2005.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules 2001, Rs. 1,79.20 lakhs of unpaid/unclaimed dividends (including TOMCO, Pond's and Bestfoods, pursuant to their merger), interest on debentures and deposits were transferred during the year to the Investor Education and Protection Fund.

RONW, ROCE and EPS for the last five years

For the year ended 31 December,	2001	2002	2003	2004	2005
RONW	53.9%	48.4%	82.8%	57.2%	61.1%
ROCE	62.4%	59.4%	60.2%	45.9%	68.7%
EPS of Re.1	7.46	8.04	8.05	5.44	6.40

Economic Value Added (EVA)

Economic Value Added for the last five years is given below :
Rs. Crores

Years	EVA	Average capital employed	EVA as % of capital employed
2001	1080	2816	38.4
2002	1236	3396	36.4
2003	1429	3780	37.8
2004	887	3704	23.9
2005	1014	2560	39.6

The above EVA has been computed under very conservative assumptions. A detailed note on EVA is given in page 80.

Segment-wise results

Hindustan Lever has identified seven business segments in line with the Accounting Standard on Segment Reporting (AS-17). These are : (i) Soaps and Detergents, (ii) Personal Products, (iii) Beverages, (iv) Foods, including Culinary and Branded Staples, (v) Ice Creams, (vi) Exports, and (vii) Others, including Chemicals and Agri-Products. The Table below gives the audited financial results of these segments.

Segment revenue, results and capital employed

Rs. Crores

For the year ended 31 December,	2005	2004
Segment Revenue (Sales plus Income from Services)		
Soaps and Detergents	49,61.71	44,70.74
Personal Products	29,51.88	24,72.24
Beverages	12,77.44	11,94.55
Foods	3,13.72	2,85.07
Ice Creams	98.14	88.94
Exports	13,47.80	12,49.02
Others	2,50.47	3,00.15
Total	112,01.16	100,60.71
Less : Inter-segment revenue	(7.27)	(25.42)
Net Sales/Income from Operations	111,93.89	100,35.29
a) Net Sales	110,60.55	99,26.95
b) Service income from operations	1,33.34	1,08.34
Segment Results (PBIT)		
Soaps and Detergents	6,83.69	7,75.06

Rs. Crores

For the year ended 31 December,	2005	2004
Personal Products	8,45.21	8,07.50
Beverages	2,42.40	2,38.71
Foods	(16.10)	(81.76)
Ice creams	5.08	(4.69)
Exports	49.06	39.62
Others	(27.68)	(32.87)
Total	17,81.65	17,41.57
Less : Interest expense	(19.19)	(1,29.98)
Add : Unallocable income net of other unallocable expenses	(1,57.99)	(1,06.27)
Total Profit (PBT)	16,04.47	15,05.32
Capital employed in segments (Segment assets less liabilities)		
Soaps and Detergents	(63.33)	2,76.86
Personal Products	2,27.80	2,91.72
Beverages	(62.07)	(21.18)
Foods	(1.63)	13.10
Ice Creams	(9.43)	(0.38)
Exports	4,29.95	4,48.56
Others	5.50	63.43
Total	5,26.79	10,72.11
Add : Unallocable corporate Assets less Liabilities	17,78.84	10,20.60
Total Capital Employed in Hindustan Lever Ltd.	23,05.63	20,92.71

Note : For greater detail, please see the segment accounts given in the financial statements accompanying the audited Profit and Loss Account and Balance Sheet.

Risk and Internal Adequacy

Hindustan Lever has a low debt equity ratio and is well placed to take care of its borrowings. Your Company is a large net foreign exchange earner and the transactions are suitably covered. There are no materially significant exchange rate risks associated with the Company.

The Company's internal control systems are more than adequate, and are routinely tested and certified by our statutory as well as internal auditors. Moreover, the Company continuously upgrades these systems in line with best international practices.

For a FMCG company like Hindustan Lever, economic growth has a direct impact on its performance. Our outlook for the economy in 2006 is optimistic, and we expect a GDP growth of about 7-8% subject however to the vagaries of Monsoon and / or other unanticipated developments. Our plans for business development, revenue generation and profit growth factors in this GDP growth apart from continued competitive pressures both from international, local and regional competitors.

Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

16. DIVIDEND

The Board of Directors at the meeting held on February 14, 2006, recommended a final dividend of Rs. 2.50 per share of Re. 1/- each for the year 2005, subject to approval of the shareholders. Together with the interim dividend of Rs. 2.50 per share, paid on August 24, 2005, the total dividend for the year works out to Rs. 5/- per share of Re. 1/- each, amounting to Rs. 1,100.62 crores. Distribution Tax both on the interim and final dividend is being borne by the Company.

17. DEPOSITORY SYSTEM

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

18. DIRECTORS

Mr. Douglas Baillie, Group Vice President and Head of Unilever AMET (Africa, Middle East and Turkey), was appointed as the Managing Director (MD) and Chief Executive Officer (CEO) of the Company effective from March 1, 2006. Mr. Baillie will also be the Group Vice President responsible for Unilever's business in South Asia, which includes Sri Lanka, Pakistan and Bangladesh.

Mr. Douglas Baillie was appointed as an Additional Director with effect from March 1, 2006 by the Board at the meeting held on February 14, 2006 of the Companies and Article 111 of the Articles of Association to hold office till the conclusion of the ensuing Annual General Meeting of the Company. The requisite notice, together with necessary deposit has been received from members pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Baillie as a Director of the Company at the ensuing AGM.

Mr. Arun Adhikari, the Managing Director of the HPC Division of the Company resigned from the Board of the Company with effect from March 1, 2006 and will be assuming responsibility as the Chairman of Unilever Japan.

The Board places on record its appreciation for the distinguished service rendered by Mr. Adhikari in his capacity as the Managing Director of the HPC division of the Company and wishes him success in his future endeavours.

In accordance with the Articles of Association of your Company, all other Directors of your Company except Mr. S. Ravindranath, who as Managing Directors has a five-year term effective May 1, 2004, will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-election.

19. AUDITORS

M/s. Lovelock & Lewes, statutory auditors of the Company, retire and offer themselves for re-appointment as the statutory auditor of the Company pursuant to Section 224 of the Companies Act, 1956.

20. APPRECIATION

Your Directors wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry despite increased competition from several existing and new players.

21. TRADE RELATIONS

The Board desires to place on record its appreciation for the support and co-operation that the Company received from suppliers / redistribution stockists, retailers and others associated with the Company as its trading partners. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be the Company's endeavour to build and nurture strong links with trade based on mutuality, respect and co-operation with each other and consistent with consumer interest.

On behalf of the Board

Mumbai,
April 28, 2006

Harish Manwani
Chairman

ANNEXURE TO THE DIRECTORS' REPORT, 2005

Disclosure pursuant to the provisions of Securities and Exchange Board of India
(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

	Stock Option 2001	Stock Option 2002	Stock Option 2003	Stock Option 2004	Stock Option 2005
a) Options granted	24,75,100 equity shares of Re. 1/- each valued at Rs. 53.82 crores	32,33,601 equity shares of Re. 1/- each valued at Rs. 68.02 crores	42,76,090 equity shares of Re. 1/- each valued at Rs. 58.16 crores	16,30,450 equity shares of Re. 1/- each valued at Rs. 20.95 crores	15,47,700 equity shares of Re. 1/- each valued at Rs. 20.44 crores
b) The pricing formula	Closing market price as on the date of option grant - 24.07.2001	Closing market price as on the date of option grant - 23.04.2002	Closing market price as on the date of option grant - 24.04.2003	Average of highs and lows for two week period proceed the date of option grant - 30.06.2004	Closing market price, prior to the date of meeting of the Board of Directors in which the options were granted - 26.05.2005
	Rs. 217.45	Rs. 210.35	Rs. 136.00	Rs. 128.47	Rs. 132.05
c) Options vested	Options vested after three years from date of grant (24.07.2001)	Options vested after three years from date of grant (23.04.2002)	NA since options not exercisable before the expiry of three years from the grant of option (24.04.2003)	NA since options not exercisable before the expiry of three years from the grant of option (30.06.2004)	NA since options not exercisable before the expiry of three years from the grant of option (27.05.2005)
d) Options exercised (as at December 31, 2005)	Nil	Nil	NA	NA	NA
e) The total number of shares arising as a result of exercise of option	NA	NA	NA	NA	NA
f) Options lapsed (as at December 31, 2005)	3,00,700 equity shares of Re. 1/- each	3,70,696 equity shares of Re. 1/- each	4,24,100 equity shares of Re. 1/- each	1,22,100 equity shares of Re. 1/- each	13,200 equity shares of Re. 1/- each
g) Variation of terms of options :	NA	NA	NA	NA	NA
h) Money realised by exercise of options	NA	NA	NA	NA	NA
i) Total number of options in force (as at December 31, 2005)	21,74,400 equity shares of Re. 1/- each	28,62,905 equity shares of Re. 1/- each	38,51,990 equity shares of Re. 1/- each	15,08,350 equity shares of Re. 1/- each	15,34,500 equity shares of Re. 1/- each
j) Employee wise details of options granted to :					
i) Senior managerial personnel;	—	—	—	—	Details in Appendix
ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;	NA	NA	NA	NA	NA
iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	NA	NA	NA	NA	NA
k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	NA	NA	NA	NA	NA
l) i) Method of calculation of employee compensation cost					The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for Options issued under the "2001 HLL Stock Option Plan". The stock-based compensation cost as per the intrinsic value method for the year 2005 is Nil.

**Disclosure pursuant to the provisions of Securities and Exchange Board of India
(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Contd...)**

	Stock Option 2001	Stock Option 2002	Stock Option 2003	Stock Option 2004	Stock Option 2005																		
ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options					Rs. 6.73 crores																		
iii) The impact of this difference on profits and on EPS of the Company					<p>The effect of adopting the fair value method on the net income and earnings per share is presented below :</p> <table><tr><th>Net Income</th><th>Rs. in lakhs</th></tr><tr><td>As reported</td><td>14,08.11</td></tr><tr><td>Add : Intrinsic value</td><td></td></tr><tr><td>Compensation cost</td><td>Nil</td></tr><tr><td>Less : Fair value Compensation cost (Black Scholes model)</td><td>6.73</td></tr><tr><td>Adjusted Net Income</td><td>14,01.38</td></tr><tr><th>Earnings Per Share (Basic and Diluted)</th><th>(Rs.)</th></tr><tr><td>- As reported</td><td>6.40</td></tr><tr><td>- As adjusted</td><td>6.37</td></tr></table>	Net Income	Rs. in lakhs	As reported	14,08.11	Add : Intrinsic value		Compensation cost	Nil	Less : Fair value Compensation cost (Black Scholes model)	6.73	Adjusted Net Income	14,01.38	Earnings Per Share (Basic and Diluted)	(Rs.)	- As reported	6.40	- As adjusted	6.37
Net Income	Rs. in lakhs																						
As reported	14,08.11																						
Add : Intrinsic value																							
Compensation cost	Nil																						
Less : Fair value Compensation cost (Black Scholes model)	6.73																						
Adjusted Net Income	14,01.38																						
Earnings Per Share (Basic and Diluted)	(Rs.)																						
- As reported	6.40																						
- As adjusted	6.37																						
m) Weighted average exercise price and weighted average fair value	NA	NA	NA	NA	NA																		
n) Fair value of Options based on Black Scholes methodology (details available on company website)																							
Assumptions																							
Risk free rate				6.75%	7.25%																		
Expected life of options				7 years	7 years																		
Expected Volatility (based on daily market closing price from 3 years -2003 to 2005)				28.56%	30.04%																		
Expected Dividends																							
Closing market price of share on date of option grant.				Rs. 5.00 per share Rs. 127.30	Rs. 5.00 per share Rs. 138.20																		

Notes : (i) The Scheme has been discontinued by the Company from 2006.

(ii) The Pricing Formula adopted by the Company for 'Employees Stock Option Plan' for the years 2001 to 2005, was based on the "Market Price" as defined in SEBI (Employee Stock Option Scheme and Employee Purchase Scheme) Guidelines 1999, and Maximum number of options to be issued per employee in a fiscal year did not exceed 0.01% of the outstanding issued share capital, as expressed in Clause 11 of the '2001 HLL STOCK OPTION PLAN' in the line with Clause 6.2(h) of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline 1999.

APPENDIX

List of Senior Management Employees to whom Stock Options were granted pursuant to the "2001 HLL Stock Option Plan"

Name of the Manager	Stock Options Granted 2005
Dhaval Buch	8,800
Sanjay Dube	11,000
Anoop K. Mathur	17,600
Nitin Paranjpe	11,000
S. Ravindranath	17,600
M.K. Sharma	17,600
D. Sundaram	17,600
Arun Adhikari	17,600

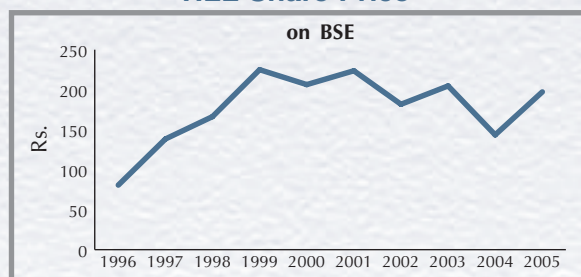
10-YEAR RECORD

Rs. Lakhs	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Profit & Loss Account										
Sales*	7120,06	8342,75	10215,24	10917,69	11392,14	11781,30	10951,61	11096,02	10888,38	11975,53
Other Income	118,08	183,87	244,74	318,98	345,07	381,79	384,54	459,83	318,83	304,79
Interest	(57,00)	(33,89)	(29,28)	(22,39)	(13,15)	(7,74)	(9,18)	(66,76)	(129,98)	(19,19)
Profit Before Taxation @	605,25	850,25	1130,44	1387,94	1665,09	1943,37	2197,12	2244,95	1505,32	1604,47
Profit After Taxation @	412,70	580,25	837,44	1069,94	1310,09	1540,95	1731,32	1804,34	1199,28	1354,51
EPS of Re. 1 (adjusted for bonus)	2.08	2.81	3.67	4.86	5.95	7.46	8.04	8.05	5.44	6.40
DPS of Re. 1 (adjusted for bonus)	1.25	1.70	2.20	2.90	3.50	5.00	5.16	5.50	5.00	5.00
Balance Sheet										
Fixed Assets	721,71	794,09	1053,77	1087,17	1203,47	1320,06	1322,34	1369,47	1517,56	1483,53
Investments	328,77	531,57	697,51	1006,11	1769,74	1635,93	2364,74	2574,93	2229,56	2014,20
Net Deferred Tax	—	—	—	—	—	246,48	269,92	267,44	226,00	220,14
Net Current Assets	378,67	122,42	226,06	187,25	(373,38)	(75,04)	(239,83)	(368,81)	(409,30)	(1355,31)
	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	3717,17	3843,03	3563,82	2362,56
Share Capital	199,17	199,17	219,57	220,06	220,06	220,12	220,12	220,12	220,12	220,12
Reserves & Surplus	792,36	1062,33	1493,46	1883,20	2268,16	2823,57	3438,75	1918,60	1872,59	2085,50
Share Premium Suspense Accounts	177,57	—	—	—	—	—	—	—	—	—
Loan Funds	260,05	186,58	264,31	177,27	111,61	83,74	58,30	1704,30	1471,11	56,94
	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	3717,17	3843,03	3563,82	2362,56

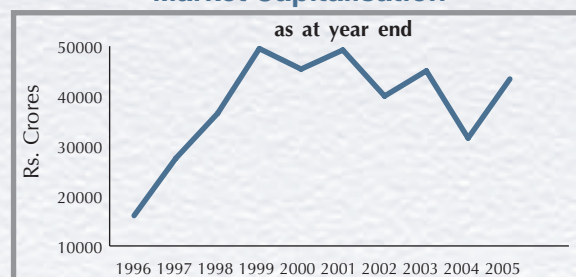
@ Before Exceptional Items

* Sales before Excise Duty Charged

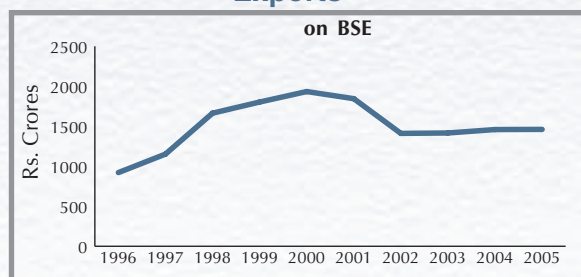
HLL Share Price



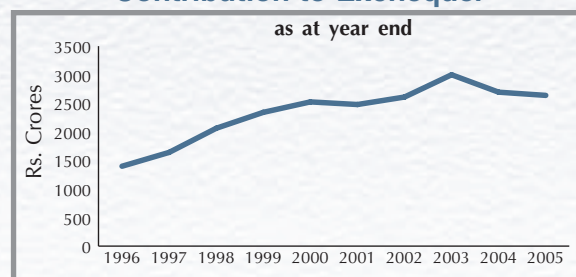
Market Capitalisation



Exports



Contribution to Exchequer



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
HLL Share Price on BSE (Rs. per Share of Re. 1) *	80.70	138.35	166.35	225.00	206.35	223.65	181.75	204.70	143.50	197.25
Market Capitalisation (Rs. Crores)	16,073	27,555	36,525	49,513	45,409	49,231	40,008	45,059	31,587	43,419
Exports (Rs. Crores)**	921	1,152	1,664	1,803	1,934	1,845	1,411	1,416	1,459	1,461
Contribution to Exchequer (Rs. Crores)	1,398	1,640	2,062	2,341	2,524	2,478	2,609	2,999	2,694	2,638
Economic Value Addition (EVA) (Rs. Crores)	272	365	548	694	858	1,080	1,236	1,429	887	1,014

* Based on year-end closing prices quoted in the Bombay Stock Exchange, adjusted for bonus shares.

** Includes exports made by subsidiaries.

Corporate Governance

The principles of Corporate Governance and Code of Business Principles are the cornerstones of your Company. Your Company believes these principles distinguish a well managed company from a not so well managed company. These principles ensure transparency, integrity and accountability which are vital for the long and sustained growth of your Company.

Your Company has been practising these principles long before these were made mandatory for listed Companies. Your Company has a matching representation of five independent directors on your Company's Board to complement and supplement four full time directors and the non-executive Chairman of the Board and thereby providing optimum mix of professionalism, knowledge and experience.

Your Company's endeavour has always been to engage persons of eminence as independent directors who can contribute to corporate strategy, provide an external perspective and be a source of challenge and evaluation wherever appropriate. Your Company has the good fortune of having two independent directors, Mr. D.S. Parekh and Mr. S. Ramadorai whose contribution to the nation have been recognized by the country with the coveted public honour of Padma Bhushan bestowed on them for their contributions to trade and industry.

BOARD OF DIRECTORS

(a) Composition of the Board

During the year, Mr. Harish Manwani, President - Asia and Africa of Unilever was appointed as a Director on the Board of HLL, with effect from April 29, 2005. He was elected as director at the Annual General Meeting of the Company held on June 24, 2005.

Mr. M.S. Banga stepped down from the Board of the Company consequent to his appointment as President – Foods of Unilever and therefore did not seek re-election as a Non-Executive Director at the said AGM. Board elected Mr. Harish Manwani as the Non-Executive Chairman of the Company in succession to Mr. M.S. Banga with effect from July 1, 2005.

Mr. Douglas Baillie was appointed as an additional director of the Company and assumed charge as Chief Executive Officer (CEO) and Managing Director of the Company with effect from March 1, 2006. Prior to this, Mr. Baillie was Group Vice President and head of Unilever AMET (Africa, Middle East and Turkey).

Mr. Douglas Baillie is a British national and brings with him enormous experience of working in the developed and developing markets.

The National Management Committee, which was formed in May 2004, on Mr. Banga taking over as Non-Executive Chairman is replaced by the Management Committee chaired by Mr. Douglas Baillie, CEO.

Subject to the overall superintendence and control of the Board, the day to day management of the Company now vests in a Management Committee headed by Mr. Douglas Baillie, CEO and MD with Mr. M. K. Sharma, Mr. D. Sundaram, Mr. S. Ravindranath, Mr. Anoop Mathur, Mr. Sanjay Dube, Mr. Nitin Paranjpe and Mr. Dhaval Buch as members.

(b) Number of Board meetings

Hindustan Lever held seven Board meetings during the year ended December 31, 2005. These were on February 11, 2005; April 29, 2005; June 24, 2005; July 30, 2005; August 11, 2005; October 31, 2005 and December 15, 2005 and the maximum interval between any two meetings was not more than 90 days.

(c) Directors' attendance record and directorships held

See Table 1 for details.

Table 1 : Details about Hindustan Lever's Board of Directors

Name of Director	Position	Board meetings held during the year	Board meetings attended during the year	Whether attended last AGM	Directorships in other public limited companies incorporated in India***
M.S. Banga*	Non-Executive Chairman and Director	7	2*	Yes	1 (1)
Harish Manwani**	Non-Executive Chairman and Director	7	4**	Yes	Nil
Douglas Baillie@	Chief Executive Officer and Managing Director	NA	NA	NA	NA

Name of Director	Position	Board meetings held during the year	Board meetings attended during the year	Whether attended last AGM	Directorships in other public limited companies incorporated in India***
M.K. Sharma	Executive Vice-Chairman and whole-time Director	7	7	Yes	4 (2)
D.S. Parekh	Non-Executive and independent Director	7	7	Yes	16 (9)
V. Narayanan	Non-Executive and independent Director	7	5	Yes	13 (10)
C.K. Prahalad	Non-Executive and independent Director	7	4	Yes	Nil
A. Narayan	Non-Executive and independent Director	7	7	Yes	2 (1)
S. Ramadorai	Non-Executive and independent Director	7	6	Yes	10 (5)
D. Sundaram	Whole-time Director (Finance & Information Technology)	7	6	Yes	4 (1)
Arun Adhikari@@	Managing Director (Home & Personal Care)	7	7	Yes	1
S. Ravindranath	Managing Director (Foods)	7	7	Yes	1

Notes : * Ceased to be a Director and Non-Executive Chairman with effect from July 1, 2005.

** Appointed as Director with effect from April 29, 2005 and nominated as Non-Executive Chairman with effect from July 1, 2005.

*** Figures in () indicates listed companies and does not include alternate directorship.

@ Member of the Board as on the date of this report – inducted with effect from March 1, 2006.

@@ Ceased to be a Member of the Board as on the date of this report - resigned with effect from March 1, 2006.

Independent Director means a Director who, apart from receiving Director's remuneration, does not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, or its subsidiaries, which in the judgement of the Board may affect the independence of judgement of the Director.

None of the Directors is a member of more than ten Board-level committees or Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

(d) Information supplied to the Board

Among others, this includes :

- * review of annual operating plans of businesses, capital budgets, updates,
- * quarterly results of the Company and its operating divisions or business segments,
- * minutes of meeting of audit committee and other committees,
- * information on recruitment and remuneration of senior officers just below the Board level,
- * materially important show cause, demand, prosecution and penalty notices,
- * fatal or serious accidents or dangerous occurrences,
- * any materially significant effluent or pollution problems,
- * any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- * any issue which involves possible public or product liability claims of a substantial nature,

- * details of any joint venture or collaboration agreement,
- * transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- * significant labour problems and their proposed solutions,
- * significant development in the human resources and industrial relations fronts,
- * sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business,
- * quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
- * non-compliance of any regulatory or statutory provision or listing requirements as well as share holder services such as non-payment of dividend and delays in share transfer.

The Board of Hindustan Lever is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings or are tabled before the appropriate Committees of the Board.

e) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transaction or relationships between Hindustan Lever and its Directors for the year ended December 31, 2005 that may have a potential conflict with the interests of the Company at large.

f) Remuneration of Directors: sitting fees, salary, perquisites and commission

Table 2 gives the details of the remuneration package of Directors and their relationships with each other.

Table 2 : Remuneration paid or payable to Directors during the year 2005

Rupees

Name of Director	Relationship with other Directors	Sitting fees	Commission on profits	Salary	Contribution to PF	Perquisites	Total
M.S. Banga ¹	None	NA	—	—	—	—	—
Harish Manwani	None	NA	—	—	—	1,54,000	1,54,000
M.K. Sharma	None	NA	83,06,688	41,53,344	14,95,200	30,04,110	1,69,59,342
D.S. Parekh	None	2,60,000	5,00,000 @	NA	NA	NA	7,60,000
V. Narayanan	None	1,60,000	5,00,000 @	NA	NA	NA	6,60,000
C.K. Prahalad	None	1,60,000	5,00,000 @	NA	NA	NA	6,60,000
A. Narayan	None	3,20,000	5,00,000 @	NA	NA	NA	8,20,000
S. Ramadorai	None	2,20,000	5,00,000 @	NA	NA	NA	7,20,000
D.Sundaram	None	NA	77,83,776	38,91,888	14,01,084	9,25,937	1,40,02,685
Arun Adhikari	None	NA	64,74,996	36,99,996	12,21,000	3,32,676	1,17,28,668
S. Ravindranath	None	NA	64,74,996	36,99,996	12,21,000	13,78,151	1,27,74,143

1. Upto June 30, 2005.

@ The Commission for the year ended December 31, 2005 @ Rs. 5 Lakhs per annum will be paid to non-wholetime Directors, subject to deduction of tax after adoption of accounts by shareholders at the Annual General Meeting to be held on May 29, 2006.

- Payment of Remuneration to wholetime Directors excludes provisions for / contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis.

g) Remuneration of Directors: Employee stock options

Pursuant to the “2001 HLL Stock Option Scheme”, following are the details of the stock option granted to the Wholetime Directors of the Company. Non-executive Directors are, at present, not eligible for the grant of any stock options.

Table 3 gives the number of options granted to the whole-time Directors under this scheme.

Table 3 : Stock options granted to the whole-time Directors

Name of Director	Outstanding as at 31.12.2004	Number of options granted under 2001 HLL Stock Option Scheme during the year 2005	Option exercised during 2005	Outstanding as at 31.12.2005
M.K. Sharma	117495	17600	NIL	135095
D. Sundaram	137950	17600	NIL	155550
Arun Adhikari	121895	17600	NIL	139495
S. Ravindranath	132615	17600	NIL	150215

(h) Committees of the Board**Audit Committee**

The audit committee of Hindustan Lever performs the following functions :

- * Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- * recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- * reviewing with management the annual financial statements before submission to the Board;
- * reviewing with the management and external and internal auditors, the adequacy of internal control systems;
- * reviewing the adequacy of internal audit function;
- * discussing with internal auditors any significant finding and follow up on such issues;
- * reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature, and then reporting such matters to the Board;
- * discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern;
- * reviewing the Company's financial and risk management policies; and
- * examining reasons for substantial default in the payment to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.

The Company continued to derive immense benefit from the deliberation of the Audit Committee comprising four Non-Executive and Independent Directors — Mr. D.S. Parekh (Chairman), Mr. A. Narayan, Prof. C.K. Prahalad and Mr. S. Ramadorai who are eminent professionals knowledgeable in finance, accounts and company law. Minutes of each audit committee meeting are placed before, and discussed in the meeting of the Board.

The audit committee met five times during the year: February 10, 2005; April 29, 2005; July 30, 2005; October 31, 2005 and December 15, 2005. Table 4 gives the attendance record.

Table 4 : Attendance record of audit committee members

Name of Director	No. of meetings	Meetings attended
D.S. Parekh	5	5
C.K. Prahalad	5	3
A. Narayan	5	5
S. Ramadorai	5	4

In addition to the areas noted above, Hindustan Lever's audit committee looks into controls and security of the Company's critical IT applications, the internal and control assurance audit reports of all major divisions and deviations from the Code of Business Principles, if any.

Remuneration and Compensation Committees

Hindustan Lever's remuneration policy is based on three tenets: pay for responsibility, pay for performance and potential, and pay for growth. The Company's remuneration committee is vested with all the necessary powers and authority to ensure appropriate disclosure on the remuneration of whole time Directors and to deal with all elements of remuneration package of all such Directors. This includes details of fixed components and performance linked incentives including stock options. Since the appointments of the wholetime Directors are by virtue of their employment with the Company as management employees, their service contract, notice period and severance fee, if any, is governed by the management remuneration policy of the Company.

As for the Non-wholetime Directors, their appointment is for the benefit of their professional expertise in their individual capacity as independent professionals/Business Executives. Accordingly, the service contract, notice period and severance fees, if any, of the Company are not applicable to such Non-wholetime Directors. However, as a Company policy, upon attaining the age of 70 years, the Non-wholetime Directors seek retirement by not offering themselves for re-appointment at the Annual General Meeting of the Company.

The committee consisting of four Non-executive and Independent Directors – Mr. V. Narayanan (Chairman), Prof. C.K. Prahalad, Mr. A. Narayan and Mr. S. Ramadorai met twice during the year: May 27, 2005 and October 31, 2005.

Table 5 gives the attendance record of the members of the remuneration committee.

Table 5 : Attendance record of Remuneration Committee members

Name of Director	No. of meetings	Meetings attended
V. Narayanan	2	2
C.K. Prahalad	2	1
A. Narayan	2	2
S. Ramadorai	2	1

Consequent to resignation of Mr. M.S. Banga as a member of the compensation committee, Mr. Harish Manwani was appointed as member of compensation committee to supplement the four Non-executive members of the remuneration committee, along with Mr. M.K. Sharma. The compensation committee administers the stock option plan of the Company.

Shareholder/Investor Grievances Committee

The Shareholder/Investor grievances committee specifically looks into redressing of shareholders' and investors' complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. This committee comprising Mr. A. Narayan (Chairman, Independent Director), Mr. M.K. Sharma (Vice-Chairman and whole-time Director) and Mr. D. Sundaram (whole-time Director) met twice during the year: July 30, 2005 and December 15, 2005. Table 6 gives the attendance record.

Table 6 : Attendance record of investor grievances committee members

Name of Director	No. of meetings	Meetings attended
A. Narayan	2	2
M.K. Sharma	2	2
D. Sundaram	2	2

MANAGEMENT

a) Management Discussion and Analysis

The Directors' Report includes details of Management Discussion and Analysis of various businesses of the Company.

b) Disclosures by management to the Board

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

SHAREHOLDERS**a) Disclosures regarding appointment or re-appointment of Directors**

According to the Articles of Association of Hindustan Lever, all Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting.

Mr. Douglas Baillie, who was appointed as an additional Director on February 14, 2006, to assume charge as Chief Executive Officer and Managing Director of the Company with effect from March 1, 2006, will offer himself for appointment by the shareholders of the Company at the forthcoming Annual General Meeting of the Company on May 29, 2006.

Mr. Arun Adhikari has tendered his resignation to the Board on February 14, 2006 to be relieved of his responsibilities as the Managing Director of the HPC Division of the Company with effect from March 1, 2006.

All the other Directors are eligible and are offering themselves for re-election save and except Mr. S. Ravindranath, Managing Director – Foods who has been elected for a term of 5 years effective from May 1, 2004.

Given below are the abbreviated resumes of the Directors of Hindustan Lever.

- * **Harish Manwani** (52) assumed charge as the Non-Executive Chairman of the Company with effect from July 1, 2005. He is also President Asia & Africa and a part of the Unilever Executive (UEX), an 8 member team that runs Unilever's operations worldwide.

Mr. Manwani joined HLL in 1976. He joined the Board of HLL in 1995, as Director responsible for the Personal Products business. In addition, he held regional responsibility as the Category Leader for Personal Products for the then Central Asia & Middle East (CAME) Group.

In 2000, Mr. Manwani moved to the UK as Senior Vice President for the Global Hair Care & Oral Care Categories, and in early 2001 was appointed President Home & Personal Care (HPC), Latin America Business Group. He also served as Chairman of Unilever's Latin America Advisory Council. In 2004, he was appointed President and CEO of the HPC North America Business Group, and in April 2005 was elevated to the Unilever Executive as President Asia & Africa.

He is an Honours graduate from Mumbai University and holds a Master's Degree in Management Studies. He has also attended the Advanced Management Program (AMP) at Harvard Business School.

- * **Douglas Baillie** (50) Born and educated in Zimbabwe, Mr. Baillie graduated from the University of Natal with majors in business finance, marketing and business administration and joined Unilever SA in 1978. His career over the years has spanned various sales and marketing positions, culminating in a secondment to Lever Rexona in Australia in 1987.

On his return to South Africa in late 1988, he took up the position of Sales Director, which was followed by a spell as Marketing Director. Mr. Baillie moved to London in 1994 to Personal Products Co-ordination where he became the Regional Liaison Member for Africa, Middle East, Central and Eastern Europe and Turkey before moving to Vice President, Home and Personal Care for the Africa Business Group. Mr. Baillie was appointed Managing Director Lever Pond's South Africa in 1997 and National Manager, Unilever South Africa, in May 2000. Whilst in this position Mr. Baillie served on several external Boards including the Advertising Standards Authority, the Consumer Goods Council of South Africa and was a member of Presidential Big Business working group.

Prior to assuming responsibilities as the Chief Executive Officer (CEO) of Hindustan Lever Limited, Mr. Baillie was Group Vice President and Head of Unilever AMET (Africa, Middle East and Turkey). Mr. Baillie is also the Group Vice President responsible for Unilever's business in South Asia, which includes Sri Lanka, Pakistan and Bangladesh.

- * **M.K. Sharma** (59) is the Vice Chairman and a whole-time Director of Hindustan Lever. After graduating in Political Science, he completed his LL.B from the University of Lucknow. He then went on to do a Post-graduate Diploma in Personnel Management from the Department of Business Management, Delhi University, and a Diploma in

Labour Law from the Indian Law Institute, Delhi. After working for six years with the DCM group, Mr. Sharma joined Hindustan Lever in 1974 as the Legal Manager. He was inducted on the Board of the Company as Director (Legal and Secretarial) in August 1995, and has been the Vice Chairman since May 2000. He has also attended the Advanced Management Program (AMP) at Harvard Business School.

- * **D.S. Parekh** (61) is a B.Com and holds a FCA degree from England and Wales. Mr. Parekh has held senior positions in Grindlays and Chase Manhattan. He is the Executive Chairman of Housing Development Finance Corporation Ltd. Mr. Parekh joined the Board of Hindustan Lever in May 1997.
- * **V. Narayanan** (68) is a M.Sc (Chem) from Madras University. He was the Chairman and Managing Director of erstwhile Pond's (India) Ltd., and is presently the Chairman of the Academy of Management Excellence, an institution engaged in management training. He joined the Board of Hindustan Lever in August 1987.
- * **C.K. Prahalad** (64) is the Harvey C. Fruehauf Professor of Business Administration at the University of Michigan at Ann Arbor, USA. He received his Doctor of Business Administration from the Harvard Business School. Prof. Prahalad specialises in corporate strategy, and has authored several books and numerous articles in reputed journals. His contribution to business strategy is globally recognised. He joined the Board of Hindustan Lever in April 2000.
- * **S. Ramadorai** (61) is the CEO of Tata Consultancy Services; Chairman of Tata Technologies Ltd. and Chairman of CMC Ltd. Holder of a Bachelor degree in Physics from Delhi University; a Bachelor of Engineering degree in Electronics and Telecommunications from Indian Institute of Science, Bangalore; and a Master's degree in Computer Science from the University of California, USA, Mr. Ramadorai took the Senior Executive Development Program at MIT's Sloan School of Management in 1993. Mr. Ramadorai joined the Board of Hindustan Lever in May 2002.
- * **A. Narayan** (54) joined ICI India as a management trainee in 1973 and grew through diverse functions and businesses before being appointed as Managing Director of ICI India in 1996. On completion of his term as Managing Director in ICI India, he was appointed as Non-Executive Chairman of ICI India. Just prior to this appointment he served as a Corporate Planning Manager at the ICI Group Head Quarters in London. A B.Tech. from IIT Kanpur, he also has formal qualifications in law, multidisciplinary sciences and strategic management. He joined the Board of Hindustan Lever in 2001.
- * **D. Sundaram** (53) joined Hindustan Lever in 1975 after qualifying as a cost accountant from ICWA. Having worked in various capacities within the Company, he was seconded to Unilever, London for the period 1990-93. On his return to India, he was the financial member of the TOMCO Integration Team and then became the Finance Director of Brooke Bond Lipton India Ltd., in March 1994. After another round of secondment to Unilever, London as Senior Vice President Finance (Central Asia and Middle East Group) during 1996-99, he returned to Hindustan Lever in May 1999 to take up his current position as Director, Finance and IT. He has also attended the Advanced Management Program (AMP) at Harvard Business School.
- * **S. Ravindranath** (59) has a Bachelors of Science degree in Maths and Statistics followed by a Masters in Operations Research and Fellowship of the Institute of Costs and Works Accountants of India. He joined Hindustan Lever in the non-management cadre in 1975. He was promoted to the management cadre in 1979. Thereafter he has held several positions - Management Accountant, Corporate Accountant and Commercial Manager – Personal Products. In 1992, he was appointed as General Manager – Commercial, Personal Products. He was later the Divisional Vice President Commercial for Detergents since 1995. In 1999, he was appointed as Head – Beverages Profit Centre at Bangalore and was then appointed as Executive Director Beverages in April 2000. Since May 1, 2004, Mr. Ravindranath is the Managing Director of the Foods Division.

Particulars of Directorships of other Companies and Memberships of other Committees are given in the Annexure hereto.

b) Communication to shareholders

Hindustan Lever has its own web-site and all vital information relating to the Company and its performance, including quarterly results, official press releases and presentation to analysts are posted on the web-site. The Company's web-site address is www.hll.com.

The quarterly, half-yearly and annual results of the Company's performance are published in leading newspapers such as Times of India and Hindu Business Line.

c) Investor grievances

As mentioned earlier in this chapter, the Company has constituted a Shareholder/ Investors' Grievances Committee for redressing shareholders' and investors' complaints. The status on complaints is reported to the Board of Directors. Mr. Ashok K. Gupta, Company Secretary, is the compliance officer.

d) Share transfer

Effective July 16, 2004, the Investor servicing function, including share transfers so far conducted inhouse by Hindustan Lever's Investor Service Department have been outsourced to Karvy Computershare Private Limited, to act as the Share Registrars of the Company.

e) Details of non-compliance

Company has been fully compliant with all matters relating to the capital market and the listing agreements.

f) General body meetings

Details of the last three annual general meetings are given in Table 7.

Table 7 : Date, time and venue of the last three AGMs

Financial year (ended)	Date	Time	Venue
31st December, 2002	13th June, 2003	15.00 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020.
31st December, 2003	29th June, 2004	15.00 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020.
31st December, 2004	24th June, 2005	15.00 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020.

g) Postal ballots

During the year 2005, pursuant to Section 192 A of the Companies Act 1956, the shareholders of the Company had overwhelmingly approved by means of Postal Ballot the following disposals, through an Ordinary Resolution.

- (i) transfer by way of sale its tea plantation business in Assam, commonly known as the Doom Dooma Division to a wholly owned subsidiary of the Company;
- (ii) transfer by way of sale its tea plantation business in Tamil Nadu, commonly known as the Tea Estates Division to a wholly owned subsidiary of the Company.

OTHER INFORMATION

- In line with the approval of the Government, royalty payable to Unilever PLC for the year 2005 @ 1% of qualifying turnover of Rs. 6327.82 crores amounts to Rs. 63.28 crores.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the Auditor's Certificate is given as an annexure to the Directors' Report.

Particulars of Loans / Advances and Investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement

Loans and Advances in the nature of loan to subsidiaries :

Name of the Company	Balance as at 31st December, 2005	Rs. Lakhs Maximum outstanding during the year
Modern Food Industries (India) Limited	27,80.00	27,80.00
Pond's Export Limited	39.98	39.98
Unilever India Shared Services Limited (Previously known as Indigo Lever Shared Services Limited)	8,50.00	8,50.00
Hindustan Kwaliti Walls Limited	5,61.38	5,61.38
Tea Estates India Limited	3,30.00	3,30.00
Doom Dooma Tea Company Limited	1,50.00	2,00.00

The Company has not made any loans and advances in the nature of loan to associates or loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372A of the Companies Act, 1956.

Also there are no Loans and Advances in the nature of loans to firms/companies in which directors are interested.

ANNEXURE

PARTICULARS OF DIRECTORSHIPS OF OTHER COMPANIES AND MEMBERSHIPS OF OTHER COMMITTEES

	Other Directorships		Other Committee Memberships		
Name of the Director	Name of the Company	Position	Name of the Company	Committee	Position
HARISH MANWANI	NIL	NIL	NIL		
DOUGLAS ANDERSON BAILLIE	NIL	NIL	NIL		
M. K. SHARMA	ICICI Bank Limited	Non-Executive Director	ICICI Bank Limited	– Audit Committee – Business Strategy committee – Share Transfer & Investor Grievances – Credit & Governance Committee – Fraud Monitoring	Member Member Chairman Member Member
D. SUNDARAM	Unilever Nepal Limited	Director	SBI Capital Markets Ltd.	Audit	Chairman
	Unilever India Exports Limited	Director			
	Hind Lever Trust Limited	Director			
	Unilever India Shared Services Limited	Chairman			
S. RAVINDRANATH	SBI Capital Markets Ltd.	Director	SBI Capital Markets Ltd.	Audit	Chairman
	Quest International India Limited	Director			
ADITYA NARAYAN	Unilever India Exports Limited	Director	NIL		
	Digital Securities Private Limited	Director	NIL		
V. NARAYANAN	ICI India Limited	Chairman	NIL		
	Quest International India Limited	Non-Executive Director (Alternate)	NIL		
	BHP Billiton Marketing Services India Pvt. Ltd.	Director, President & CEO	NIL		
	Pond's Exports Limited	Chairman	MM Forgings Limited	Audit Committee	Chairman
	MM Forgings Limited	Chairman	Glaxo SmithKline	Audit Committee	Member
	UCAL Fuel Systems Limited	Director	Pharmaceuticals Limited	Remuneration Committee	Member
	Glaxo SmithKline	Director	FAL Industries Limited	Audit Committee	Member
	Pharmaceuticals Limited	Director	Tamil Nadu Newsprint & Papers Limited	Audit Committee	Chairman
	Samtel Colour Limited	Director	Bata India Limited	Audit Committee	Chairman
	FAL Industries Limited	Director	UCAL Fuel Systems Ltd.	Audit Committee	Member
C. K. PRAHALAD	Rane Madras Limited	Director	Sundaram Fasteners Ltd.	Audit Committee	Member
	Samcor Glass Limited	Director			
	Tamil Nadu Newsprint & Papers Limited	Director			
	Lafarge India Private Limited	Director			
	Foster's India Limited	Director			
	Sundaram Fasteners Limited	Director			
	Bata India Limited	Director			
	Rane Holdings Limited	Director			
	NCR Corporation	Director	NCR Corporation	Audit & Finance Committee Governance Committee	Member Chairman
	D. S. PAREKH	Housing Development Finance Corporation Ltd.	Chairman	Glaxo SmithKline Pharmaceuticals Ltd.	Audit Committee
Infrastructure Development and Finance Co. Ltd.		Chairman	Mahindra & Mahindra Ltd.	Audit Committee	Chairman
Glaxo SmithKline Pharmaceuticals Ltd.		Chairman	Motor Industries Co. Ltd.	Audit Committee	Chairman
Siemens Limited		Chairman	Castrol India Ltd.	Audit Committee	Chairman
HDFC Asset Management Co. Ltd.		Chairman	The Indian Hotels Co. Ltd.	Audit Committee	Member
HDFC Standard Life Insurance Co. Ltd.		Chairman	Siemens Limited	Audit Committee	Member
HDFC Chubb General Insurance Company Ltd.		Chairman	Motor Industries Co. Ltd.	Remuneration Committee Investor Grievances	Member Member
Mahindra and Mahindra Ltd.		Director	IDFC Limited.	Remuneration Committee	Member
Hindustan Oil Exploration Corporation Ltd.		Director			
Castrol India Ltd.		Director			
S. RAMADORAI	The Indian Hotels Co. Ltd.	Director			
	Motor Industries Co. Ltd.	Director			
	Borax Morarji Ltd.	Alternate Director			
	Zodiac Clothing Co. Ltd.	Alternate Director			
	Bharat Bijlee Ltd.	Alternate Director			
	Exide Inds. Ltd.	Alternate Director			
	Tata Consultancy Services Limited	Managing Director	Tata Consultancy Services Limited	Shareholder/Investor Grievances Committee Ethics & Compliance Committee	Member Member
	Tata Technologies Limited	Chairman	Tata Technologies Limited	Audit Remuneration Remuneration Audit	Chairman Chairman Member Member
	Tata Industries Limited	Director	Tata Elxsi (India) Ltd.	Compensation Compensation	Member Chairman
	Tata Elxsi Limited	Vice Chairman	Tata Elxsi (India) Ltd.		
TCS Iberoamerica SA (Uruguay)	Director	Nicholas Piramal India Limited			
Tata Solutions Centre SA (Uruguay)	Chairman	VSNL Singapore Pte Ltd.			
WTI Advanced Technology Ltd.	Director				
Aviation Software Development Consultancy India Ltd.	Director				
Innova TV Inc. (USA)	Director				
Tata Teleservices Limited	Director				
CMC Limited	Chairman				
Nicholas Piramal India Limited	Director				
Tata Consultancy Services De Espana SA (Spain)	Director				
Tata Consultancy Services Do Brasil SA (Brazil)	Director				
Tata Consultancy Services Chile SA (Chile)	Director				
Conscripti (Pty) Limited (South Africa)	Director				
Tata Teleservices Limited	Director				
VSNL Singapore Pte. Ltd.	Director				
C-Edge Technologies Limited	Director				

ANNEXURE TO THE REPORT OF THE DIRECTORS
CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Shareholders of Hindustan Lever Limited

We have examined the compliance of conditions of Corporate Governance by Hindustan Lever Limited, for the year ended 31st December, 2005 as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that in respect of investor grievances received during the year ended 31st December, 2005, no investor grievances are pending for a period exceeding one month against the Company as per records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sharmila A. Karve
Partner
Membership No. 43229
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 28th April, 2006

Additional Information for Shareholders

Annual General Meeting

Date : 29 May 2006
Venue : Birla Matushri Sabhagar, Marine Lines, Mumbai - 400 020
Time : 15:00 hours

Financial Calendar

Financial year : 1 January to 31 December

For the year ended 31 December 2005, results were announced on:

- 29 April 2005 : First quarter
- 30 July 2005 : Half yearly
- 31 October 2005 : Third quarter
- 14 February 2006 : Fourth quarter and annual.

For the year ended 31 December 2006, results will be announced on :

- 28 April 2006 : First quarter
- 31 July 2006 : Half yearly
- 31 October 2006 : Third quarter
- 16 February 2007 : Fourth quarter and annual.

Book Closure

The book closure period for final dividend is from 3 May 2006 to 16 May 2006, inclusive of both days.

Dividend

An interim dividend of Rs. 2.50 per share aggregating in all to Rs. 551.17 crores was declared on 30 July 2005 and paid on 24 August, 2005. A final dividend of Rs. 2.50 per share aggregating in all to Rs.551.21 crores was recommended on 14 February, 2006 and subject to the approval of the shareholders at the Annual General Meeting will be paid on 30 May, 2006.

Merger of Vashisti Detergents Limited (VDL) with Hindustan Lever Limited (HLL)

With all the requisite approvals having been obtained the Scheme of Arrangement (Scheme), involving Amalgamation of Vashisti Detergents Limited (VDL) with Hindustan Lever Limited (HLL) has become effective. Pursuant to the said Scheme, those VDL shareholders whose name appeared in the Register of Members as on Record Date would be eligible for 1 Equity Share of Re. 1/- of HLL for every 10 shares of Rs. 10/- each held in VDL and interim dividend @ Rs. 2.50/- per share declared by HLL for the year 2005.

The Record Date was fixed as 31 March, 2006. The share certificates in respect of HLL shares allotted on 10 April, 2006 have been despatched/credited, along with the relevant dividend warrant (and fractional entitlement if any) during the third week of April, 2006.

In deference to the request received from many shareholders, the Company had decided to dispense with the requirement of the surrender of VDL share certificates and despatched all HLL share certificates without insisting on surrender of VDL share certificates. In view of this, the corresponding VDL share certificates surrendered to the Company or still in possession with VDL Shareholders stand cancelled and is/are not valid.

Those members who have not received the share certificate / credit till 30 April 2006, may please contact :-

M/s. Karvy Computershare Pvt. Ltd.

Unit : Hindustan Lever Ltd.
KARVY HOUSE, 46, Avenue – 4
Street No. 1, Banjara Hills
Hyderabad – 500 034
Tel. No.: 040-23420818
Fax No.: 040-23420814
vdlmerger@karvy.com

ECS (Electronic Clearing Service) / Mandates / Bank Details

The members may please note that ECS details contained in the BENPOS downloaded from the Depositories would be reckoned for payment of dividend. In order to avoid fraudulent encashment of dividend, please register either ECS or mandate or Bank details for payment of dividend.

Listing

Till last year, the Company's Shares were listed and traded on the stock exchanges at Ahmedabad, Bangalore, Chennai, Cochin, Delhi, Kolkata, Gauhati and Mumbai as well as National Stock Exchange of India Ltd.

Pursuant to the approval of the Members at the last AGM, the Company has delisted its shares from the Stock Exchanges as detailed hereunder :

Name of the Stock Exchange	Delisted w.e.f.
Bangalore Stock Exchange	16.09.2005
Ahmedabad Stock Exchange	11.10.2005
Delhi Stock Exchange	14.10.2005
Gauhati Stock Exchange	23.03.2006
Madras Stock Exchange	31.03.2006
Cochin Stock Exchange	Letter awaited
Calcutta Stock Exchange	Letter awaited

Name of the Stock Exchange on which shares are listed**Stock Code**

Bombay Stock Exchange Limited, Mumbai

500696

National Stock Exchange of India Limited

HINDLEVER

The ISIN Number of Hindustan Lever (or demat number) on both NSDL and CDSL is INE030A01027.

Stock Data

Tables 1 and 2 respectively give the monthly high and low prices and volumes of Hindustan Lever at The Bombay Stock Exchange Limited, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE) for the year ended 31 December 2005.

Table 1 : Monthly share price data and volumes, BSE

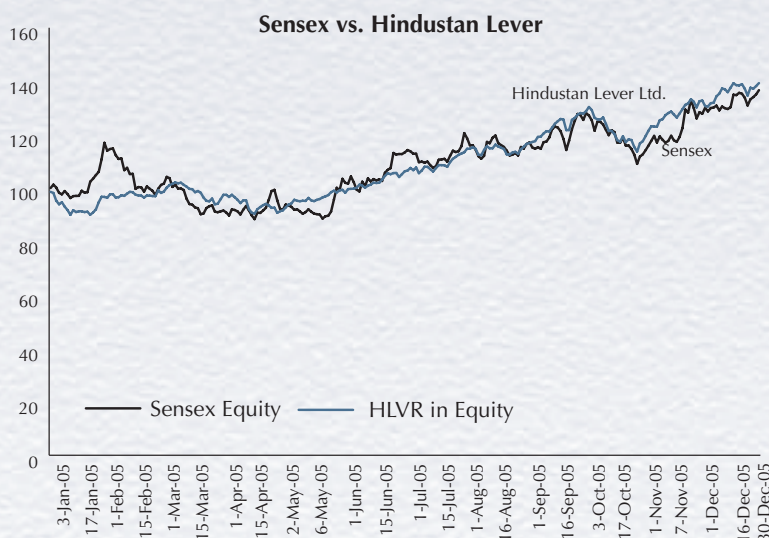
Month, 2005	High	Low	Volume
January	160.30	136.30	11,695,071
February	170.50	139.20	16,670,552
March	151.80	128.50	14,634,619
April	145.00	126.30	9,149,273
May	145.25	127.50	12,431,410
June	168.40	141.00	20,536,739
July	170.00	152.20	13,745,132
August	175.50	159.50	39,790,820
September	186.00	164.00	17,701,089
October	187.70	156.50	18,371,950
November	193.00	161.95	15,521,315
December	200.65	180.70	16,386,569

Note : High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers) in Hindustan Lever shares on the BSE.

Table 2 : Monthly share price data and volumes, NSE

Month, 2005	High	Low	Volume
January	160.10	136.10	38,267,177
February	170.40	139.80	48,445,932
March	151.70	129.10	44,063,274
April	146.00	125.50	36,582,610
May	159.90	127.40	42,923,928
June	168.40	141.00	64,621,234
July	172.00	152.10	43,104,171
August	176.00	159.10	68,583,884
September	186.90	163.50	55,279,117
October	186.80	156.70	39,747,013
November	193.00	152.55	50,351,242
December	200.80	180.55	48,860,026

Note : High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers) in Hindustan Lever shares on the NSE.

**Chart A : Plots Hindustan Lever's share prices with the BSE Sensex for 2005**

Capital appreciation of Hindustan Lever shares

How have long-term shareholders of HLL fared vis-à-vis the Sensex? Table 3 gives the closing share price on the first day of trading for every calendar year since 1996 (adjusted to the face value of Re.1 per share). If someone bought a Hindustan Lever share on 1 January 1996 and held on to it until 2 January 2006, then that person will have enjoyed a capital appreciation of almost 214 per cent. Compared to that, the BSE-Sensex would deliver 200 per cent.

Table 3 : Value appreciation for Hindustan Lever shareholders

Date of Purchase	HLL share price	HLL appreciation	BSE Sensex	Sensex appreciation
1-Jan-96	62.20	213.8%	3128	200.2%
1-Jan-97	81.70	138.9%	3261	188.0%
1-Jan-98	139.43	40.0%	3695	154.1%
1-Jan-99	165.25	18.1%	3060	206.9%
3-Jan-00	239.12	-18.4%	5375	74.7%
1-Jan-01	200.00	-2.4%	3955	137.4%
1-Jan-02	220.50	-11.5%	3246	189.3%
1-Jan-03	181.65	7.5%	3390	177.0%
1-Jan-04	212.60	-8.2%	5915	58.8%
3-Jan-05	146.05	33.7%	6651	41.2%
2-Jan-06	195.20		9390	

Note : All comparisons are with respect to 2 January 2006 (the reference date).

Distribution of shareholding

Tables 4 and 5 give the distribution pattern of shareholding of Hindustan Lever as on 31 December 2005.

Table 4 : Distribution of Shareholding by size class, 31 December 2005

Holdings	Shareholders		Shares	
	Number	% to total	Number	% to total
Upto 5000	308229	94.78	215142809	9.77
5001-10000	10324	3.17	72191918	3.28
10001-20000	4426	1.36	60777419	2.76
20001-30000	1068	0.33	25845910	1.18
30001-40000	417	0.13	14343935	0.65
40001-50000	193	0.06	8641916	0.39
50001-100000	256	0.08	17713113	0.81
100001 and above	303	0.09	1785882654	81.13
In-transit			704119	0.03
Total	325216	100.00	2201243793	100.00

Table 5 : Distribution of shareholding by ownership, 31 December 2005

Category	Shares held (Nos.)	% of holdings
Unilever and its associates	1134849460	51.55
Sub total	1134849460	51.55
Foreign Banks	47569	0.00
Foreign Financial Institutions	302562522	13.75
Foreign Nationals	29580	0.00
Non-Resident Indians	7155333	0.33
Overseas Corporate Bodies	3600	0.00
Sub total	309798604	14.07
Bodies Corporate	25164796	1.14
General Insurance Corporation of India	125831874	5.72
Government Companies	1270	0.00
Industrial Development Bank of India	336159	0.02
Life Insurance Corporation of India	155485871	7.06
Mutual Fund	40711979	1.85
Nationalised Banks	2622713	0.12
Trusts	1097021	0.05
Unit Trust of India	231730	0.01
Sub total	351483413	15.97
Resident Individuals	404200275	18.36
Sub total	404200275	18.36
Directors and their Relatives	207922	0.01
Sub total	207922	0.01
In-transit	704119	0.03
Sub total	704119	0.03
Total	2201243793	100.00

Shares held in physical and dematerialised form

As on December 31, 2005, 42.88 per cent of Hindustan Lever's shares were held in dematerialised form and the rest in physical form. It needs to be said that Unilever and its affiliates own 51.55 per cent of the Company's shares, which are held in physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares account for 88.51 per cent of the remainder.

Outstanding GDRs/ADRs/Warrants/Convertible Instruments and their impact on equity

Not applicable for Hindustan Lever.

Details of public funding obtained in the last three years

Not applicable, as Hindustan Lever has not obtained any public funding in the last three years.

Mergers and acquisitions

Since the mid-1990s, Hindustan Lever's growth has been both organic and through mergers and acquisitions. The details of mergers from 1992 were published in the Annual Report and Accounts for the year 2002 as part of "Additional Shareholder Information" and are available on the Company's website www.hll.com.

Investor Services

With effect from July 16, 2004 all share transfers and related operations, so far conducted in-house by Hindustan Lever's Investor Service Department, have been now outsourced to Karvy Computershare Pvt. Ltd.

a) Address for Correspondence

All Correspondence relating to the shares of the Company should be forwarded to the below mentioned address of Karvy.

Karvy Computershare Private Limited
Unit : HINDUSTAN LEVER LIMITED
Karvy House : 46, Avenue 4, Street No. 1
Banjara Hills, Hyderabad – 500 034.
Tel : +91-40-23420818 to 24
Fax : +91-40-23420814
E-mail : mailmanager@karvy.com
Website : www.karvy.com

Please do not send any correspondence / documents to Investor Service Department at Belapur (CBD), Kolkata or Chennai, as the Investor Service functions at these locations have been wound up.

The existing counter facility at the Registered Office of the Company will continue to be available to the shareholders. To allow us to service shareholders with greater speed and efficiency, the Company strongly recommends email based correspondence on all issues which do not require signature verifications for being processed.

Emails can be sent through the Company's website www.hll.com

For any general assistance at the Registered Office, investors may call on :

Tel : 022-39832285 / 39832452 / 39832557

b) Website (www.hll.com)

On the website of the Company, more than 50 frequently asked questions on various topics related to transfers and transmission of shares, dematerialization, nomination, change of address, loss of share certificates, dividend and sub-division of share certificates, have been put for the benefit of the shareholders. In addition, various downloadable forms required to be executed by the shareholders have also been included in the website. A special facility has also been provided for shareholders to send in their suggestions / grievances, which are immediately responded to.

c) Nomination in respect of shares held in physical form

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares and several shareholders have opted to avail of such facility. However, a large number of shareholders are yet to make nominations in respect of their holdings in physical form. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the time consuming and cumbersome process of obtaining Succession Certificate/Probate of the Will. It would, therefore, be in the best interest of the shareholders holding shares in physical form as sole registered holders to make such nominations without any delay. Nominations will have to be made in the prescribed form which could be obtained from Karvy Computershare

Private Limited at the address mentioned above. The Nomination Form is also available on the Company's website. It may be noted that for shares held in electronic form, the concerned shareholders have to register their nominations directly with their respective depository participants.

d) Exchange of shares of Rs.10 with shares of Re.1

After the sub-division of Hindustan Lever's shares of Rs.10 each into shares of Re.1 each, in the year 2000 the Company sent circulars to all the shareholders holding share of the face value of Rs.10 in physical form to exchange these share certificates of the face value of Re. 1 each.

Although a large number of such shareholders have done the exchange, there are still many who have not. They are requested to forward their old share certificates of the shares of Rs.10 each (which are no longer tradeable) to Karvy Computershare Private Limited at the address stated above, along with a request letter signed by all holders.

e) Unclaimed dividends

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years statutorily get transferred to the Investor Education and Protection Fund administered by the Central Government. Table 6 gives the dates of dividend payment since 1998 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 7 gives the unclaimed dividend amount since 1998. Table 8 gives the unclaimed interest on bonus debentures and redemption amount of bonus debentures.

Table 6 : Due dates for transferring Unclaimed dividend to the Investor Education and Protection Fund

Year	Dividend	Type	Date of payment	Date of transfer
1998	43F	FINAL	21.05.1999	01.07.2006
1999	44I	INTERIM	18.10.1999	28.11.2006
1999	44F	FINAL	25.04.2000	05.06.2007
2000	45I	INTERIM	19.10.2000	29.11.2007
2000	45F	FINAL	22.06.2001	02.08.2008
2001	46I	INTERIM	24.07.2001	22.08.2008
2001	46F	FINAL	28.06.2002	27.07.2009
2002	47I	INTERIM	21.08.2002	19.09.2009
2002	47F	FINAL	16.06.2003	15.07.2010
2002	47S	SPECIAL	08.07.2003	06.08.2010
2003	48I	INTERIM	28.08.2003	26.09.2010
2003	48F	FINAL	02.07.2004	04.08.2011
2004	49I	INTERIM	27.08.2004	03.09.2011
2004	49F	FINAL	27.06.2005	23.07.2012
2005	50I	INTERIM	24.08.2005	28.08.2012

Table 7 : Unclaimed dividend amount as on 31 December 2005

Year	Dividend	Type	No. of warrants issued	No. of warrants unclaimed	% Unclaimed	Amount of dividend (Rs. Lakhs)	Dividend Unclaimed (Rs. Lakhs)	% Unclaimed
1998	43F	FINAL	354211	16074	4.5	27227.00	161.77	0.6
1999	44I	INTERIM	346323	16102	4.6	26348.00	147.39	0.6
1999	44F	FINAL	353016	14982	4.2	37410.00	182.75	0.5
2000	45I	INTERIM	374828	20529	5.5	33009.00	189.74	0.6
2000	45F	FINAL	373306	17314	4.6	44012.00	219.82	0.5
2001	46I	INTERIM	369667	17182	4.6	55015.00	245.88	0.4
2001	46F	FINAL	352240	20152	5.7	55031.09	258.31	0.5
2002	47I	INTERIM	370239	19703	5.3	55031.09	235.29	0.4

Year	Dividend	Type	No. of warrants issued	No. of warrants unclaimed	% Unclaimed	Amount of dividend (Rs.)	Dividend Unclaimed (Rs.)	% Unclaimed
2002	47F	FINAL	375782	19646	5.2	58531.07	285.85	0.5
2002	47S	SPECIAL	376369	25273	6.7	38851.95	254.31	0.7
2003	48I	INTERIM	370088	19135	5.2	55031.09	249.01	0.5
2003	48F	FINAL	358576	18274	5.1	66037.31	273.28	0.4
2004	49I	INTERIM	375081	20232	5.4	55031.09	281.31	0.5
2004	49F	FINAL	350630	22625	6.5	55031.22	219.67	0.4
2005	50I	INTERIM	339914	26565	7.8	55031.22	267.04	0.5

Note : The above excludes information pertaining to the erstwhile Tata Oil Mills Company Limited, Brooke Bond Lipton India Limited and Pond's (India) Limited.

Table 8 : Unclaimed Interest/redemption amount against Bonus Debentures as on 31 December 2005

Year	Redemption/ Interest	Month of Payment	No. of warrants issued	No. of warrants unclaimed	% unclaimed	Net Amount of Redemption Interest (Rs. Lakhs)	Redemption/ Interest unclaimed (Rs. Lakhs)	% unclaimed
2004	Interest	July 2004	349823	22721	6.5	10692.44	66.64	0.6
2005	Interest	Jan. 2005	346555	22841	6.6	5336.17	28.39	0.5
2005	Redemption	Jan. 2005	346555	21207	6.1	132074.63	675.37	0.5

f) Number and nature of complaints regarding shares

Chart B shows the complaints over the last five years. Table 9 gives the data on complaints regarding shares during the year ended 31 December 2005.

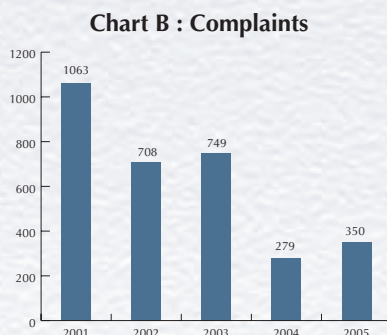


Table 9 : Details of complaints regarding shares for the year 2005

Nature of complaint	No. of complaints	No. redressed
Non-receipt of dividend	156	151
Non-receipt of shares lodged for Transfer	139	134
Others	55	55
Total	350	340

All the unresolved complaints were received in December 2005 and have been progressed further for resolution.

Reasons for increase in the Grievances

- 1) Some of the grievances are relating to Major Corporate Action viz., Bonus Debentures Redemption effected to 3.6 lakhs holders on 1.1.2005.
- 2) Cluster of Corporate Activities during the year viz., Postal Ballot Communication in May 2005 and Court Convened Meetings in July 2005 and October 2005 has enabled the investors to bring their grievances which were otherwise dormant for resolution.
- 3) Correspondence also generated on account of reminders forwarded across all the dormant transmission cases where the documentation was not complete for resolution.

Significant Accounting Policies

Basis for preparation of accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes and excise duties (on goods manufactured and outsourced) but include, where applicable, export incentives such as duty drawbacks and premiums on sale of import licences. It does not include inter-divisional transfers.

Income from Property Development Activity is recognised in terms of arrangements with developers, where applicable.

Income from services rendered is booked based on agreements/arrangements with the concerned parties.

Interest on investments is booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend income on investments is accounted for when the right to receive the payment is established.

Expenditure

Expenses are accounted for on accrual basis and provision is made for all known losses and liabilities.

Advertising expenses are charged against the profit of the year to which the activities relate.

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided (except in the case of leasehold land which is being amortised over the period of the lease) on the straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However,

- certain employee perquisite-related assets are depreciated over four to six years, the period of the perquisite scheme.
- computers and related assets are depreciated over four years.
- certain assets of the cold chain are depreciated over four/seven years and
- motor vehicles are depreciated over six years.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable values.

Goodwill and other Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortisation.

Goodwill and other Intangible assets (except computer software) are amortised over the assets useful life not exceeding 10 years.

Computer software is amortised over a period of 5 years on the straight line method.

Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Investments

Investments are classified into current and long term investments. Current investments are stated at the lower of cost and fair value.

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

Inventories

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Sundry Debtors and Loans and Advances

Sundry debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

Provisions

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. Provision is not discounted to its present value and is determined based on the best estimate required to settle the obligation at the year end date. These are reviewed at each year end date and adjusted to reflect the best current estimate.

Retirement/Post Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and Family Pension Fund are charged to the profit and loss account as incurred. The Company also provides for retirement/post-retirement benefits in the form of gratuity, pensions, leave encashment and medical. Such benefits are provided for based on valuations, as at the balance sheet date, made by independent actuaries.

Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Foreign Currency Translations

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

Segment Reporting

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies for segment reporting :

- a) Inter segment revenue have been accounted for based on the transaction price agreed to between segments which is primarily market led.
- b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".

Profit and Loss Account for the year ended 31st December, 2005

Figures in brackets represent deductions

	Notes	2005 Rs. lakhs	2004 Rs. lakhs
INCOME			
Sales	1	11060,54.62	9926,94.64
Other income	2	304,78.65	318,83.38
Total		11365,33.27	10245,78.02
EXPENDITURE			
Operating expenses	3 - 5	(9,617,21.50)	(8489,57.90)
Depreciation		(124,45.32)	(120,89.94)
Interest	6	(19,19.31)	(129,98.43)
Total		(9760,86.13)	(8740,46.27)
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		1604,47.14	1505,31.75
Taxation for the year – current tax	9	(223,00.00)	(266,00.00)
– deferred tax		(41,00.00)	(54,73.62)
– fringe benefit tax		(30,00.00)	–
Taxation adjustments of previous years (net)	19	44,03.67	14,69.52
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		1354,50.81	1199,27.65
Exceptional items (net of tax)	13	53,59.63	(1,93.28)
NET PROFIT		1408,10.44	1197,34.37
Balance brought forward		644,79.91	818,60.74
Available for distribution		2052,90.35	2015,95.11
Dividends :			
On equity shares :			
Interim - Rs. 2.50 per share - declared on 30th July, 2005		(550,31.09)	(550,31.09)
Final - Rs. 2.50 per share - proposed		(550,31.09)	(550,31.09)
Tax on distributed profits [includes differential Rs. 5,26.23 lakhs on final dividend for 2004]		(159,62.46)	(145,53.02)
Transfer to General Reserve		(142,00.00)	(125,00.00)
Balance carried forward		650,65.71	644,79.91
Earnings Per Share (Rs.) - Basic & Diluted (Face value of Re.1 each)	17	6.40	5.44

For notes, statements, additional information, segment information, related party disclosures and accounting policies See pages: 43, 47 to 49, 63 to 66 and 68 to 76

In terms of our report of even date

Sharmila A. Karve
Partner
Membership No. 43229
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 14th February, 2006

Signatures to pages : 43, 44, 47 to 49,
63 to 66 and 68 to 76

M.K. Sharma
D. Sundaram
Raju Thomas
Ashok Gupta

Vice Chairman
Finance Director
Vice President - Finance
Company Secretary

Mumbai : 14th February, 2006

Balance Sheet as at 31st December, 2005

Figures in brackets represent deductions

	Schedule	2005 Rs. lakhs	2004 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	220,12.44	220,12.44
Reserves and surplus	2	2085,50.16	1872,58.51
		2305,62.60	2092,70.95
Loan funds			
Secured loans	3	24,49.96	1453,05.78
Unsecured loans	4	32,44.11	18,05.67
		56,94.07	1471,11.45
		2362,56.67	3563,82.40
APPLICATION OF FUNDS			
Fixed assets			
Gross block		2375,11.02	2314,21.91
Depreciation and impairment loss		(989,61.28)	(891,08.07)
Net block	5	1385,49.74	1423,13.84
Capital work-in-progress		98,03.29	94,42.22
		1483,53.03	1517,56.06
Investments	6	2014,19.84	2229,56.27
Deferred Tax			
Deferred Tax Assets	14	338,68.17	365,84.66
Deferred Tax Liabilities	15	(118,53.71)	(139,84.61)
		220,14.46	226,00.05
Current assets, loans and advances			
Inventories	7	1321,76.91	1470,44.26
Sundry debtors	8	522,82.85	489,26.97
Cash and bank balances	9	355,03.19	698,04.80
Other current assets	10	23,89.08	52,77.71
Loans and advances	11	539,47.15	594,41.79
		2762,99.18	3304,95.53
Current liabilities and provisions			
Liabilities	12	(2959,42.98)	(2590,79.14)
Provisions	13	(1158,86.86)	(1123,46.37)
		(4118,29.84)	(3714,25.51)
Net current assets		(1355,30.66)	(409,29.98)
		2362,56.67	3563,82.40

For schedules, contingent liabilities, additional information,
segment information, related party disclosures
and accounting policies
See pages : 43, 50 to 62 and 68 to 76
In terms of our report of even date

Signatures to pages : 43, 45, 50 to 62
and 68 to 76

Sharmila A. Karve
Partner
Membership No. 43229
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 14th February, 2006

M.K. Sharma
D. Sundaram
Raju Thomas
Ashok Gupta
Vice Chairman
Finance Director
Vice President - Finance
Company Secretary

Mumbai : 14th February, 2006

2005

Cash Flow Statement for the year ended 31st December, 2005

		2005 Rs. lakhs	2004 Rs. lakhs
A. Cash Flow from Operating Activities :			
Profit before taxation and exceptional items		1604,47.14	1505,31.75
Adjustments for :			
Depreciation	124,45.32		120,89.94
Foreign exchange	—		(1.79)
Loss / (Gain) on sale of fixed assets held for disposal	—		21.64
Surplus on disposal of investments (net)	(27,79.27)		(24,50.29)
Provision / (reversal of provision) for diminution in value of investments, net of cost over fair value of current investments (net)	(1,10.94)		(1,29.15)
Deficit / (Surplus) on disposal of fixed assets (net)	(4,65.73)		26,75.49
Reversal of provision for losses on disposal of fixed assets	(1,92.80)		(37,09.74)
Interest income	(53,03.85)		(93,53.73)
Dividend income	(71,46.33)		(62,38.49)
Interest expenditure	19,19.31		129,98.43
		(16,34.29)	59,02.31
Operating Profit before Working Capital Changes		1588,12.85	1564,34.06
Adjustments for :			
Trade and Other Receivables	33,83.25		120,58.50
Inventories	147,62.64		(101,25.92)
Trade Payables and Other Liabilities	329,37.26		(71,50.60)
		510,83.15	(52,18.02)
Cash generated from operations		2098,96.00	1512,16.04
Taxes paid (including fringe benefit tax) (net of refunds)		(117,21.40)	(164,40.98)
Cash flow before exceptional items		1981,74.60	1347,75.06
Compensation under voluntary separation schemes		(9,29.72)	(43,86.29)
Amount paid for termination of sourcing arrangement		(5,00.00)	—
Consideration received on sale of a long-term investment		50,68.51	—
Payment made in respect of ice cream restructuring included in exceptional items		—	(2,28.75)
Net Cash from Operating Activities	A	2018,13.39	1301,60.02
B. Cash Flow from Investing Activities :			
Purchase of fixed assets	(177,46.55)		(323,77.55)
Sale proceeds of Land included in exceptional items	—		94,85.19
Sale of fixed assets	26,06.39		35,49.11
Capital Subsidy received	5.00		4.50
Purchase of investments	(7523,74.00)		(8203,18.31)
Sale of investments	7901,25.49		8546,64.78
Consideration received on disposal of a subsidiary company	6.18		—
Consideration received on sale of Functionalised Bio-polymers business	4,15.00		—
Consideration received on transfer of Sewri Undertaking to Bon Limited	8,33.78		—
Interest received	71,38.39		104,22.46
Dividend received	76,06.68		60,73.89
Net Cash used in Investing Activities	B	386,16.36	315,04.07
C. Cash Flow from Financing Activities :			
Dividends paid	(1099,99.08)		(1208,67.58)
Tax on distributed profits	(154,36.22)		(159,92.02)
Interest paid	(78,30.08)		(123,27.02)
Bank overdrafts, etc. (net)	(4,35.88)		9,23.01
Proceeds from borrowings	563,86.66		585,63.00
Repayment of debentures	(1320,74.63)		—
Repayments of borrowings	(654,36.26)		(828,05.00)
Net Cash used in Financing Activities	C	(2748,25.49)	(1725,05.61)
Net Increase / (Decrease) in Cash and Cash equivalents	(A+B+C)	(343,95.74)	(108,41.52)
Cash and Cash equivalents as at 1st January		698,04.86	806,46.38
(Opening Balance)			
Cash and Cash equivalents as at 1st January, 2005 of International Fisheries Limited,		28.73	—
Merryweather Food Products Limited and Lipton India Exports Limited			
Cash and Cash equivalents as at 1st April, 2005 of Lever India Exports Limited		65.34	—
and TOC Disinfectants Limited			
Cash and Cash equivalents as at 31st December		355,03.19	698,04.86
(Closing Balance)			

For notes

See page : 67

In terms of our report of even date

Signatures to pages : 46 and 67

Sharmila A. Karve

Partner

Membership No. 43229

For and on behalf of

LOVELOCK & LEWES

Chartered Accountants

Mumbai : 14th February, 2006

M.K. Sharma

D. Sundaram

Raju Thomas

Ashok Gupta

Vice Chairman

Finance Director

Vice President - Finance

Company Secretary

Mumbai : 14th February, 2006

Notes to Profit and Loss Account

	2005 Rs. lakhs	2004 Rs. lakhs
INCOME		
1. Sales	11975,52.67	10888,37.69
Less : Excise duty	(914,98.05)	(961,43.05)
	11060,54.62	9926,94.64
Sales include duty drawback and licence premium on exports	12,98.69	17,25.80
2. Other income		
Income from services rendered	131,39.86	106,76.82
Income from property development activity	1,93.91	1,57.96
Interest income - bank and other accounts (gross) (Tax deducted at source Rs. 8,23.84 lakhs; 2004 - Rs.6,23.99 lakhs)	25,52.28	42,44.67
Interest income - non trade (gross) (Note 7) (Tax deducted at source Rs. 86.61 lakhs; 2004 - Rs. 2,15.25 lakhs)	19,92.06	50,21.80
Interest income - Subsidiary - long-term (gross) (Tax deducted at source Rs. 19.64 lakhs; 2004 - Rs. 17.94 lakhs)	7,59.51	87.26
Dividend income - trade - long-term (gross)	10,45.80	11,20.30
Dividend income - non trade - long-term (gross)	—	11.10
Dividend income - non trade - current (gross)	33,59.13	16,91.74
Dividend income - Subsidiaries - long-term (gross) (Tax deducted at source Rs. 1,15.08 lakhs; 2004 - Rs. 23.02 lakhs)	27,41.40	34,15.35
Surplus on disposal of investments (net) (Note 8)	27,79.27	24,50.29
Surplus on fixed assets sold etc. (net)	4,65.73	—
Miscellaneous income	14,49.70	30,06.09
	304,78.65	318,83.38
OPERATING EXPENSES		
3. Materials consumed and Purchase of goods		
Raw materials consumed	3554,76.32	3126,57.94
Packing materials consumed	945,33.97	758,23.96
Purchase of goods	1613,90.77	1472,39.26
4. General expenditure		
Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	517,53.90	505,97.47
Contribution to provident and other funds	35,83.14	30,59.70
Workmen and staff welfare expenses	37,94.55	38,27.17
Processing charges	141,15.11	145,90.30
Consumption of stores and spare parts	56,96.75	56,55.89
Repairs and maintenance — Buildings	11,14.56	15,53.33
— Plant	50,66.95	47,69.53
— Others	6,25.56	7,10.87
Power, light, fuel and water	168,74.42	164,77.04
Rent (Note 16)	91,85.31	39,96.98
Rates and taxes	148,04.49	131,92.55
Insurance	7,64.14	8,41.81
Advertising and sales promotion	1005,67.35	835,98.03
Carriage and freight	573,79.69	494,80.22
Agents' commission and brokerage	5,82.26	6,87.13
Provision / (write back) for doubtful debts and advances (net)	(7,37.82)	(11,16.08)
Travelling and motor car expenses	122,15.66	116,25.60
Deficit on fixed assets sold, scrapped, etc. (net)	—	26,75.49
Miscellaneous expenses (Note 12)	489,14.63	428,26.93
Expenses shared by certain current and erstwhile subsidiary companies for use of common facilities	(7,92.38)	(12,99.87)
5. Stocks		
Opening stocks :		
— Work-in-progress	45,62.72	58,04.28
— Processed chemicals	1,09.07	1,71.50
— Finished goods	590,39.76	654,04.60
Adjustment to stocks :		
— As at 1st January, 2005 of Merryweather Food Products Limited {Note 14(i)}	11.60	—
— As at 1st April, 2005 Lever India Exports Limited {Note 14(i)}	2,66.21	—
— As at 1st April, 2005 TOC Disinfectants Limited {Note 14(i)}	2,28.95	—
Closing stocks :		
— Work-in-progress	(26,29.71)	(45,62.72)
— Processed chemicals	(91.82)	(1,09.07)
— Finished goods	(534,10.04)	(590,39.76)
Excise Duty on Increase/(Decrease) of Finished goods	(32,74.57)	(21,82.18)
	9617,21.50	8489,57.90

Notes to Profit and Loss Account

6. Interest paid on bank and other accounts Rs. 18,86.31 lakhs (2004 - Rs. 11,12.19 lakhs) and on debentures Rs. 33.00 lakhs (2004 - Rs. 118,86.24 lakhs).
7. Interest income - non trade (gross) comprises of Rs. 15,35.26 lakhs (2004 - Rs. 24,21.17 lakhs) and Rs. 4,56.80 lakhs (2004 - Rs. 26,00.63 lakhs) in respect of long-term and current investments respectively.
8. Surplus on disposal of investments (net) comprises of :
 - a surplus on disposal of current investments (net) Rs. 27,10.44 lakhs (2004 - Rs. 21,77.97 lakhs)
 - a surplus on disposal of long-term investments (net) Rs. 68.83 lakhs (2004 - Rs. 2,72.32 lakhs)
9. The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2005 and the provision based on the figures for the remaining nine months up to 31st December, 2005, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2005 to 31st March, 2006.
10. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled / appropriate rates applicable at the year end) debited to the Profit and Loss Account is Rs. 3,88.03 lakhs (2004 - Debit of Rs. 9,37.92 lakhs).

	2005 Rs. lakhs	2004 Rs. lakhs
11. Operating expenses include		

A) Auditors' remuneration and expenses		
i) Audit fees	2,09.38	1,76.32
ii) Tax audit fees	1,04.69	88.16
iii) Fees for other services	22.28	20.41
iv) Reimbursement of out-of-pocket expenses	22.55	15.63
B) Payments to Cost auditors		
i) Cost audit fees	7.10	7.82
ii) Reimbursement of out-of-pocket expenses	0.14	0.52
C) Research and Development expenses	49,35.12	36,33.57

12. Miscellaneous expenses

- i) is net of credit on reversal / write back of provision for estimated losses on disposal of fixed assets rendered surplus Rs. 1,92.80 lakhs (net) [2004 - Credit Rs. 37,09.74 lakhs (net)].
- ii) is net of credit for reversal / write back of provision on diminution in value of long-term investments Rs. 1,17.00 lakhs [2004 - net of Rs. Nil lakhs (net)].
- iii) include charge in respect of excess of cost over fair value of current investments (net) Rs. 6.06 lakhs [2004 - credit of Rs. 1,29.15 lakhs (net)].

	2005 Rs. lakhs	2004 Rs. lakhs
13. Exceptional Items		

i) Profit arising out of demerger of Plantation Business (Note 14(ii) net of provision for diminution in value of the related investments Rs. 12,40 lakhs)	80,96.95	—
ii) Profit arising out of disposal of a long-term investment	43,68.86	40,54.08
iii) Reduction in Company's liability for retirement and other employee benefits, arising out of decrease in annuity rates announced by Life Insurance Corporation of India, effective December 2004	—	69,10.00
iv) Profit arising out of disposal of land	—	94,85.19
Total exceptional income	124,65.81	204,49.27
v) Provision for diminution in value of investments in subsidiaries	(16,00.00)	(87,27.00)
vi) Provision for diminution in value of a long-term investment	(16,42.41)	—
vii) Provision for impairment of sea food export business assets	(38,43.96)	—
viii) Provision for loss arising out of disposal of a subsidiary company	(14,21.58)	—
ix) Restructuring costs across businesses comprising :		
a) Compensation under Voluntary Separation Schemes	(28,51.36)	(75,84.68)
b) Amount paid / payable for termination of sourcing arrangement	(15,00.00)	—
c) Provision for estimated loss on fixed assets rendered surplus	—	(13,02.40)
d) Other Costs	—	(15,20.00)
x) Exit costs incurred in relation to discontinued Confectionery business	—	(30,45.00)
xi) Provision for loss arising out of disposal of Mushroom undertaking	—	(3,01.17)
Total exceptional expenditure	(128,59.31)	(224,80.25)
Net	(3,93.50)	(20,30.98)
Taxation on the above - Credit / (Charge) on current tax	2,28.47	5,07.97
- Credit on deferred tax	32,04.66	13,29.73
xii) One time reduction in tax liability arising from amalgamation of TOC Disinfectants Limited with the Company	23,20.00	—
Total Tax credit (net)	57,53.13	18,37.70
Exceptional Items (net of tax)	53,59.63	(1,93.28)

Notes to Profit and Loss Account

14. i) Pursuant to the Scheme of arrangement for amalgamation of the erstwhile subsidiaries, International Fisheries Limited, Lipton India Exports Limited, and Merryweather Foods Products Limited with effect from 1st January, 2005; and Lever India Exports Limited and TOC Disinfectants Limited with effect from 1st April, 2005, as approved by the shareholders in the Court-convened meeting held on 29th July, 2005 and subsequently sanctioned by the Honourable High Court of Bombay on 25th November, 2005, the assets and liabilities of these subsidiaries were transferred to and vested in the Company with effect from the dates aforementioned. The Scheme has accordingly been given effect to in these accounts. The amalgamation has been accounted for under the pooling of interests method as prescribed by Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and other reserves of the erstwhile subsidiaries as at the aforementioned dates have been taken over at their book values, subject to adjustments made for the differences in the accounting policies between the Companies and / or as specified in the schemes. Refer note 2 on Schedule 1 to the Balance Sheet.
- ii) Pursuant to the Scheme of arrangement for demerger of the Doom Dooma and TEI plantation divisions of the Company to its subsidiaries with effect from 1st April, 2005, as approved by the shareholders in the Court-convened meeting held on 29th July, 2005 and subsequently sanctioned by the Honourable High Court of Bombay on 7th October, 2005, the assets and liabilities of the divisions were transferred to the subsidiaries for a consideration in the form of equity shares, redeemable preference shares and secured debt instruments. Profit arising from the demerger has been accounted for as exceptional item. (Refer note 13(ii))
- iii) The Company has transferred its Sewri Undertaking to Bon Limited, a wholly owned subsidiary company as a going concern at book values with effect from 17th July, 2005.
- iv) Functionalised Bio-polymers Business (FBP) was sold effective 1st September, 2005.
- v) In view of the above, the current year's figures are accordingly, not comparable to those of the previous year.

15. The cost of property development activity including movements in work-in-progress are as under :

	2005 Rs. lakhs	2004 Rs. lakhs
Property Development Activity — Work-in-progress as at 1st January	46.09	65.09
Add : Opening Work-in-progress of Lever India Exports Limited	2.38	
Miscellaneous expenses	6.55	5.07
	55.02	70.16
Less : Property Development Activity — Work-in-progress as at 31st December	48.77	46.09
Cost of property sold / donated, included in miscellaneous expenses	6.25	24.07

16. Rent is net of write back of provision made in earlier years arising out of Supreme Court decision in respect of a legal dispute Rs. Nil lakhs (2004 — Rs. 41,59.85 lakhs).

17. Earnings Per Share has been computed as under :

	2005	2004
Net Profit (Rs. lakhs)	1408,10.44	1197,34.37
Weighted average number of Equity shares outstanding	2,20,12,43,793	2,20,12,43,793
Earnings Per Share (Rs.) — Basic and Diluted (Face value of Re.1 per share)	6.40	5.44

18. The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office, stores, godown, etc.) and computers. These leasing arrangements which are not non-cancellable range between 11 months and 10 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under note 4 to profit and loss account.

19. Taxation adjustments of previous years include interest, etc.

20. During the year, the Company has utilised provision made in an earlier year for restructuring of the ice cream business as follows :

	2005 Rs. lakhs	2004 Rs. lakhs
Fixed assets write off	40.55	—
Raw / Packing materials	—	0.61
Other items	—	2,28.14
	40.55	2,28.75

21. For information on Joint Ventures refer Schedule 21 to the Balance Sheet.

22. Previous year's figures have been regrouped/restated wherever necessary to conform to this year's classification.

Schedules to Balance Sheet

		2005 Rs. lakhs	2004 Rs. lakhs
1. CAPITAL			
Authorised			
2,25,00,00,000	equity shares of Re. 1 each	225,00.00	225,00.00
Issued and subscribed			
2,20,12,43,793	equity shares of Re. 1 each fully called and paid up	220,12.44	220,12.44
Of the above shares			
(i) 1,13,48,49,460	Shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 shares of Re. 1 each held by Unilever PLC.		
(ii) 79,19,31,203	Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash		
(iii) 1,31,68,54,620	Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits		
		220,12.44	220,12.44

Notes :

- The Company has granted share options under the Company's Employees' Stock Option Scheme and share options outstanding as at 31st December, 2005 are 1,19,32,145 (2004 - 1,06,48,225). Of these 21,74,400 (2004 - 21,99,200) options have vested in 2004, 28,62,905 (2004 - 29,15,285) have vested in 2005, 38,51,990 will vest in 2006 (2004 - 39,59,390), 15,08,350 in 2007 (2004 - 15,74,350) and 15,34,500 in 2008 (2004 - Nil).
- Pursuant to the Scheme of arrangement for amalgamation referred to in note 14(i) of the Profit and Loss account, 2,268 equity shares of Re. 1 each are due to be issued to the minority shareholders of International Fisheries Limited and TOC Disinfectants Limited.

2. RESERVES AND SURPLUS

	As at 31st December, 2004	Adjustments of Amalgamation {Note 14(i)}	Additions	Deductions	Rs. lakhs As at 31st December, 2005
CAPITAL RESERVES					
Capital Reserve	4,16.81	5.42	—	—	4,22.23
Capital Subsidy	3,29.43	—	5.00	—	3,34.43
Capital Redemption Reserve	1,15.00	—	—	—	1,15.00
Share Premium Account	263,26.13	—	—	—	263,26.13
Revaluation Reserve	66.59	—	—	—	66.59
Other Reserves (c)	2,51.05	—	—	—	2,51.05
Employee Stock Options (d)	4,09.67	—	38.37	—	4,48.04
Total Capital Reserves	279,14.68	5.42	43.37	—	279,63.47
REVENUE RESERVES					
Export Profit Reserve	12,21.95	—	—	—	12,21.95
Development Allowance Reserve	26.72	—	—	—	26.72
General Reserve	936,15.25	64,57.06	(a) 142,00.00	—	1142,72.31
Total Revenue Reserves	948,63.92	64,57.06	142,00.00	—	1155,20.98
PROFIT AND LOSS ACCOUNT BALANCE	644,79.91	—	(a) 650,65.71	(b) (644,79.91)	650,65.71
TOTAL RESERVES – 31st December, 2005	1872,58.51	64,62.48	793,09.08	(644,79.91)	2085,50.16
TOTAL RESERVES – 31st December, 2004	1918,60.16	—	772,59.09	(818,60.74)	1872,58.51

- Transfer from profit and loss account.
- Transfer to profit and loss account.
- Not available for capitalisation / declaration of dividend / share valuation.
- In respect of options granted under the Company's stock option scheme, in accordance with guidelines issued by Securities and Exchange Board of India, the accounting value of options (based on market price of the share on the date of the grant of the option) is accounted as deferred employee compensation, which is amortised on a straight line basis over the vesting period. Consequently salaries, wages, bonus, etc. includes Rs. 38.37 lakhs (2004 - Rs. 2,03.80 lakhs) being amortisation of deferred employee compensation after adjusting for reversals on account of options lapsed.

Employee Stock Options

	As at 31st December, 2004	Additions	Deductions	Rs. lakhs As at 31st December, 2005
Employee Stock Options Outstanding	4,48.04	—	—	4,48.04
Less :- Deferred Employee Compensation	(38.37)	—	38.37	—
Employee Stock Options	4,09.67	—	38.37	4,48.04

Schedules to Balance Sheet

	2005 Rs. lakhs	2004 Rs. lakhs
3. SECURED LOANS		
9% Secured Redeemable Non Convertible Debentures of the face value of Rs. 6 each	—	1320,74.63
Debentures held by :		
Directors - Rs. Nil (2004 - Rs. 6.21 lakhs)		
The Secretary - Rs. Nil (2004 - Rs. 0.08 lakh)		
Loans and Advances from Banks :		
— Bank overdrafts	24,49.96	41,81.53
Secured by hypothecation of stocks, book debts, etc.		
— Export Packing Credit	—	90,49.62
Secured by a pari passu charge on certain current assets		
	24,49.96	1453,05.78
4. UNSECURED LOANS		
Short-term loans and advances :		
From Banks		
— Overdrawn book balance on current account	28,69.05	13,67.45
Other loans and advances		
Other than from banks	3,75.06	4,38.22
(repayable before 31st December, 2006 - Rs. 13.37 lakhs; 2005 - Rs. 4.46 lakhs)		
	32,44.11	18,05.67

5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	Cost/ Valuation as at 31st December, 2004	Cost taken over consequent to amalgamation (d (ii))	Additions	Deductions/ Transfers (d(iii))	Cost/ Valuation as at 31st December, 2005	As at 31st December, 2004	Depreciation taken over consequent to amalgamation (d(i))	Additions	Deductions/ Transfers (d(iii))	Impairment for the year (f)	As at 31st December, 2005	As at 31st December, 2005	As at 31st December, 2004
Land – Freehold	59,73.16	2,69.62	29.93	(7,17.35)	55,55.36	—	—	—	—	—	—	55,55.36	59,73.16
– Leasehold	41,78.17	—	1,08.21	(8,07.43)	34,78.95	2,12.62	—	26.78	—	—	2,39.40	32,39.55	39,65.55
Buildings (a)	569,66.16	8,33.21	33,76.94	(34,92.46)	576,83.85	96,62.50	1,03.26	14,52.20	(13,37.20)	11,44.08	110,24.84	466,59.01	473,03.66
Plant & machinery	1226,31.66	16,82.17	127,09.53	(67,31.34)	1302,92.02	468,70.19	5,28.25	91,44.44	(36,24.81)	21,33.51	550,51.58	752,40.44	757,61.47
Railway sidings	0.59	—	—	—	0.59	0.59	—	—	—	—	0.59	—	—
Furniture, fittings & office equipment	205,18.25	29.90	7,49.74	(20,60.63)	192,37.26	137,04.52	17.07	12,20.57	(16,84.01)	24.74	132,82.89	59,54.37	68,13.73
Trade Marks	165,49.11	—	—	—	165,49.11	163,49.10	—	—	—	2,00.01	165,49.11	—	2,00.01
Goodwill	6,34.15	5,48.14	—	—	11,82.29	2,92.53	5,48.14	—	—	3,41.62	11,82.29	—	3,41.62
Software	—	—	7,76.68	—	7,76.68	—	—	1,55.33	—	—	1,55.33	6,21.35	—
Motor vehicles	39,70.66	3.55	2,31.52	(14,50.82)	27,54.91	20,16.02	1.12	4,46.00	(9,87.89)	—	14,75.25	12,79.66	19,54.64
Total – 2005	2314,21.91	33,66.59	179,82.55	(152,60.03)	2375,11.02	891,08.07	11,97.84	124,45.32	(76,33.91)	38,43.96	989,61.28	1385,49.74	1423,13.84
– 2004	2141,71.54	—	305,67.76	133,17.39	2314,21.91	846,08.96	—	120,89.94	(75,90.83)	—	891,08.07	1423,13.84	

- NOTES :**
- Buildings include Rs. 2.52 lakhs (2004 - Rs. 2.53 lakhs) being the value of shares in co-operative housing societies.
 - The title deeds of immovable properties aggregating Rs. 43,36.32 lakhs (2004 - Rs. 38,66.44 lakhs), acquired on transfer of business / undertakings are in the process of being transferred in the name of the Company.
 - Capital expenditure commitments - Rs. 30,30.89 lakhs (2004 - Rs. 28,65.74 lakhs).
 - Taken over, pursuant to the Scheme of arrangement for Amalgamation of International Fisheries Limited, Lipton India Exports Limited, Merryweather Food Products Limited effective 1st January, 2005 and TOC Disinfectants Limited, Lever India Exports Limited effective 1st April, 2005.
 - Includes transfers, pursuant to the schemes of arrangement for demerger of Doom Dooma and TEI Plantation divisions to subsidiaries.
 - Under the Gudalur Janmam Estates (Abolition and Conversion into Ryotwari) Act, 1969, the right and title to certain leasehold land may be altered at a later date, the nature and effect of which cannot be ascertained at present. However, appropriate steps have been taken to protect the Company's interest.
 - The impairment of sea food exports business assets is charged to exceptional items (refer note 13 (vii) of the Profit and Loss account).

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6. INVESTMENTS				
		(Long-term, Unquoted, unless otherwise stated)		
A. INVESTMENTS IN GOVERNMENT SECURITIES				
		7 Year National Savings Certificates - II Issue	1.05	1.05
		Government of India stock of the face value of Rs. 2,00.00 lakhs (2004 - Rs. 27,00.00 lakhs) (Current Investments) (quoted)	225.59	27,67.81
		Treasury Bills of the face value of Rs. 134,00.00 lakhs (2004 - Rs. 170,00.00 lakhs) (Current Investments)	128,59.77	168,46.35
		Treasury Bills of the face value of Rs. 20,00.00 lakhs (2004 - Nil) (Current Investments)	—	—
		[taken over (refer note 14(i)) and sold during the year]		
		Treasury Bills of the face value of Rs. 17,76.00 lakhs (2004 - Nil) (Current Investments)	—	—
		[taken over (refer note 14(i)) and sold during the year]		
		Certificates of Deposit of the face value of Rs. 160,00.00 lakhs (2004 - Rs. Nil) (Current Investments)	155,81.43	—
		TOTAL - A	286,67.84	196,15.21
B. INVESTMENTS IN SUBSIDIARY COMPANIES AT COST SHARES AND DEBENTURES				
Unilever India Exports Limited (formerly Indexport Limited)	25,10,000	Equity shares of Rs.10 each fully paid	2,51.00	2,51.00
Levers Associated Trust Limited	50,000	Ordinary shares of Rs.10 each fully paid	5.00	5.00
Levindra Trust Limited	50,000	Ordinary shares of Rs.10 each fully paid	5.00	5.00
Hindlever Trust Limited	50,000	Ordinary shares of Rs.10 each fully paid	5.00	5.00
Unilever Nepal Limited (formerly Nepal Lever Limited)	7,36,560	Equity shares of Nepalese Rs.100 each fully paid	4,60.00	4,60.00
Lever India Exports Limited	—	(2004-30,000) Equity shares of Rs.100 each fully paid (Refer note 14(i))	—	70.35
International Fisheries Limited	—	(2004-2,96,240) Equity shares of Rs.100 each fully paid (Refer note 14(i))	—	2,94.73
Lipton India Exports Limited	—	(2004-4,80,000) Equity shares of Rs.100 each fully paid (Refer note 14(i))	—	24.00
Bon Limited	10,45,000	(2004-50,000) Equity shares of Rs.10 each fully paid (9,95,000 shares purchased during the year)	10,00.00	5.00
Doom Dooma Tea Company Limited (formerly Davershola Tea Company Limited)	5,00,000	(2004-12,000) Ordinary shares of Rs.100 each fully paid (Refer note 14(ii))	5,00.00	12.00
	10,00,000	(2004-Nil) Redeemable Preference shares of Rs.100/- each (Refer note 14(ii))	10,00.00	—
	58,12,000	(2004-Nil) 6% p.a. Secured Debentures of Rs.100/- each (Yet to be issued) (Refer note 14(ii))	58,12.00	—
Tea Estates India Limited (formerly Thiashola Tea Company Limited)	50,00,000	(2004-50,000) Ordinary shares of Rs.10 each fully paid (Refer note 14(ii))	5,00.00	5.00
	10,00,000	(2004-Nil) 0.5% Redeemable Preference shares of Rs.100/- each (Refer note 14(ii))	10,00.00	—
	55,05,000	(2004-Nil) 6% p.a. Secured Debentures of Rs.100/- each (Yet to be issued) (Refer note 14(ii))	55,05.00	—
Unilever India Shared Services Limited (formerly Indigo Lever Shared Services Limited)	5,000	Ordinary shares of Rs.100 each fully paid	4.41	4.41
Merryweather Food Products Limited	—	(2004-4,96,000) Equity shares of Rs.100 each fully paid (Refer note 14(i))	—	5,08.00
	—	(2004-3,50,000) 5% Cumulative Redeemable Preference shares of Rs. 100 each fully paid (Refer note 14(i))	—	3,50.00
Pond's Exports Limited	98,00,147	Equity shares of Rs.10 each fully paid	9,80.01	9,80.01
Hindustan Kwaliti Walls Foods Private Limited	50,000	Equity shares of Rs.10 each fully paid (Purchased during the year)	5.00	—
Modern Food Industries (India) Limited	1,47,550	Equity shares of Rs.1,000 each	157,41.46	157,41.46
	2,500	Secured Non-Convertible Redeemable Seven Years Debentures Coupon Rate 3.50% p.a. for first 36 months and 14.50% p.a. for next 48 months	25,00.00	25,00.00
Rossell Industries Limited	—	Equity shares of Rs. 10 each fully paid [61,85,642 Equity shares taken over (refer note 14(i)) and sold during the year]	—	—
		TOTAL - B	352,73.88	212,20.96

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6. INVESTMENTS (Contd...)				
(Long-term, Unquoted, unless otherwise stated)				
C. TRADE INVESTMENTS AT COST				
	SHARES			
Tata Chemicals Limited	1,19,32,000	(2004-1,42,32,000) Equity shares of Rs.10 each fully paid (quoted) (23,00,000 shares sold during the year)	36,29.63	43,29.27
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs.100 each fully paid	0.05	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	5.87	5.87
Aquagel Chemicals Private Limited	2,84,040	Equity shares of Rs.100 each fully paid	2,65.56	2,65.56
	9,13,000	7% Cumulative Redeemable Preference Shares of Rs.100 each fully paid	9,13.00	9,13.00
Super Bazar Co-op. Stores Limited	1,000	Equity shares of Rs.10 each fully paid	0.10	0.10
Vashisti Detergents Limited	1,69,04,140	Equity shares of Rs.10 each fully paid (quoted)	29,40.00	29,40.00
Kimberly Clark Lever Private Limited	3,62,50,000	Equity shares of Rs.10 each fully paid	36,25.00	36,25.00
Snowman Frozen Foods Limited	38,32,000	Equity shares of Rs.10 each fully paid	5,01.71	5,01.71
Coffee Futures India Exchange Limited	1	Equity share of Rs.10,000 each fully paid	0.10	0.10
Quest International India Limited	14,11,200	Equity shares of Rs.100 each fully paid	68,02.41	68,02.41
Goldfield Fragrances Private Limited	7,164	Equity shares of Rs.100 each fully paid	2.40	2.40
		TOTAL - C	186,85.83	193,85.47
D. NON-TRADE INVESTMENTS AT COST				
	SHARES, DEBENTURES & BONDS			
Emergents Genetics India Private Limited (formerly Paras Extra Growth Seeds Limited)	—	(2004-73,12,500) Equity shares of Rs.10 each fully paid (Sold during the year)	—	8,41.66
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs.10 each fully paid	24.00	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs.10 each fully paid	0.83	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures (Face value Rs. 0.14 lakh)	0.17	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs. 0.27 lakh)	0.27	0.27
	44	1/2% Debentures of Rs.100 each (Face value Rs.0.05 lakh : Cost Rs.100)	—	—
Shillong Club Limited	56	5% Debentures of Rs.100 each (Cost Rs.Nil)	—	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs.100 each fully paid	0.20	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs.10 each fully paid	10.00	10.00
Scooters India Limited	10,000	Equity shares of Rs.10 each fully paid (Quoted)	1.00	1.00
Annamallais Ropeway Company Limited	1,150	Ordinary shares of Rs.100 each fully paid (Cost Rs.Nil)	—	—
Saraswat Co-operative Bank Limited	1,000	Equity shares of Rs.10 each fully paid	0.10	0.10
	1,005	Equity shares of Rs.10 each fully paid (Taken over) (Refer note 14(ii))	0.10	—
National Bank for Agriculture and Rural Development	—	(2004-34,690) 8% Capital Gains Bonds of Rs.10,000 each (Redeemed during the year)	—	34,69.00
	15,500	5.25% Capital Gains Bonds of Rs.10,000 each	15,50.00	15,50.00
	17,484	5.25% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	17,48.39	—
	9,250	5.50% Capital Gains Bonds of Rs.10,000 each	9,25.00	9,25.00
	870	5.20% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	87.00	—
	72,000	5.40% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	72,00.00	—
	13,500	5.20% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	13,50.00	—
	2,000	5.42% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	2,00.00	—
National Highways Authority of India	—	(2004-1,31,250) 8% Capital Gains Bonds of Rs.10,000 each (Redeemed during the year)	—	131,25.00
National Housing Bank	50,000	5.50% Capital Gains Bonds 2002 of Rs.10,000 each	50,00.00	50,00.00
	3,075	5.10% Capital Gains Bonds 2002 of Rs.10,000 each	3,07.50	3,07.50
OTHERS				
Unit Trust of India	48,77,837	Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments) (Quoted)	50,04.54	50,04.54
Prudential ICICI Mutual Fund	1,00,00,000	Units Prudential ICICI Fixed Maturity Plan - S 25 - Yearly Plan - Dec 05 - Dividend (1,00,00,000 Units Purchased during the year) (Current Investments)	10,00.00	—
	—	Units Prudential ICICI Floating Rate Fund - Plan C - Dividend (3,92,26,806 Units Purchased, 6,58,806 Units cumulated, 3,98,85,612 Units sold during the year) (Current Investments)	—	—
	4,01,13,373	Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (3,99,01,962 Units Purchased, 2,11,411 Units cumulated during the year) (Current Investments)	40,10.34	—
	1,46,00,399	Units Prudential ICICI Long Term Plan - Dividend (1,42,63,301 Units Purchased, 3,37,098 Units cumulated during the year) (Current Investments)	15,25.48	—

2005

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6. INVESTMENTS (Contd...) (Long-term, Unquoted, unless otherwise stated)				
	—	Units Prudential ICICI Liquid - Institutional Plus - Daily Dividend (27,50,70,667 Units Purchased, 56,491 Units cumulated, 27,51,27,158 Units sold during the year) (Current Investments)	—	—
	1,25,11,745	(2004 - 21,16,17,030) Units Prudential ICICI Liquid - Institutional Plus - Growth (1,25,11,745 Units Purchased, 21,16,17,030 Units sold during the year) (Current Investments)	21,00.00	333,00.00
	—	(2004 - 4,28,41,680) Units Prudential ICICI Liquid - Institutional Plus - Monthly Dividend (47,21,20,809 Units Purchased, 58,69,856 Units cumulated, 52,08,32,345 Units sold during the year) (Current Investments)	—	51,06.24
	—	(2004 - 14,61,22,962) Units Prudential ICICI Liquid - Institutional Plus - Weekly Dividend (44,31,97,864 Units Purchased, 10,11,242 Units cumulated, 59,03,32,068 Units sold during the year) (Current Investments)	—	173,31.25
	—	Units Prudential ICICI Liquid - Super Institutional Plan - Daily Dividend (1,00,00,000 Units Purchased, 1,310 Units cumulated, 1,00,01,310 Units sold during the year) (Current Investments)	—	—
	9,37,20,115	Units Prudential ICICI Liquid - Super Institutional Plan - Monthly Dividend (10,33,16,458 Units Purchased, 3,61,238 Units cumulated, 99,57,581 Units sold during the year) (Current Investments)	93,73.60	—
	1,71,43,141	Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend (20,02,82,092 Units Purchased, 4,14,332 Units cumulated, 18,35,53,283 Units sold during the year) (Current Investments)	17,15.14	—
	78,12,927	Units Prudential ICICI Short Term Institutional Plan - Growth (78,12,927 Units Purchased during the year) (Current Investments)	10,00.12	—
	2,30,41,603	Units Prudential ICICI Short Term Institutional Plan - Monthly Dividend (3,18,16,739 Units Purchased, 3,04,961 Units cumulated, 90,80,097 Units sold during the year) (Current Investments)	25,29.44	—
	2,66,00,000	Units Prudential ICICI Fixed Maturity Plan - S 25 - Yearly Plan - December 05 - Dividend (2,66,00,000 Units Purchased during the year) (Current Investments)	26,60.00	—
	—	Units Prudential ICICI Floating Rate Fund - Plan C - Dividend (74,83,985 Units Purchased, 2,00,399 Units cumulated, 76,84,384 Units sold during the year) (Current Investments)	—	—
	77,28,264	Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (76,87,532 Units Purchased, 40,732 Units cumulated during the year) (Current Investments)	7,72.83	—
	—	Units Prudential ICICI Liquid - Institutional Plus - Daily Dividend (1,04,62,811 Units Purchased, 4,189 Units - cumulated, 1,04,67,000 Units sold during the year) (Current Investments)	—	—
	—	Units Prudential ICICI Liquid - Institutional Plus - Weekly Dividend (3,59,71,123 Units Purchased, 81,118 Units cumulated, 3,60,52,241 Units sold during the year) (Current Investments)	—	—
	—	Units Prudential ICICI Liquid - Super Institutional Plan - Daily Dividend (60,00,000 Units Purchased, 786 Units cumulated, 60,00,786 Units sold during the year) (Current Investments)	—	—
	1,69,72,713	Units Prudential ICICI Liquid - Super Institutional Plan - Monthly Dividend (1,99,97,204 Units Purchased, 65,421 Units cumulated, 30,89,912 Units sold during the year) (Current Investments)	16,97.56	—
	47,67,810	Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend (1,07,55,306 Units Purchased, 10,239 Units cumulated, 59,97,735 Units sold during the year) (Current Investments)	4,76.96	—
	—	Units Prudential ICICI Liquid Plan - Institutional Plus - Monthly Dividend (48,39,151 taken over (refer note 14(ii)), 1,57,65,254 units purchased, 4,07,061 cumulated, 2,10,11,466 sold during the year) (Current Investments)	—	—
DSP Merrill Lynch Mutual Fund	1,50,00,000	Units DSP Merrill Lynch Fixed Term Plan - Series 1 - Dividend (1,50,00,000 Units Purchased during the year) (Current Investments)	15,00.00	—
	3,00,00,000	Units DSP Merrill Lynch Fixed Term Plan - Series 1A - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)	30,00.00	—
	—	Units DSP Merrill Lynch Floating Rate Fund - Weekly Dividend (99,79,234 Units Purchased, 1,01,230 Units cumulated, 1,00,80,464 Units sold during the year) (Current Investments)	—	—
	—	Units DSP Merrill Lynch Liquidity Fund - Dividend (4,43,32,678 Units Purchased, 97,239 Units cumulated, 4,44,29,917 Units sold during the year) (Current Investments)	—	—

Schedules to Balance Sheet

		2005 Rs. lakhs	2004 Rs. lakhs
6. INVESTMENTS (Contd...)			
	(Long-term, Unquoted, unless otherwise stated)		
	— Units DSP Merrill Lynch Liquidity Fund - Daily Dividend (49,95,005 Units Purchased, 633 Units cumulated, 49,95,638 Units sold during the year) (Current Investments)	—	—
	— Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Daily Dividend (2,39,953 Units Purchased, 256 Units cumulated, 2,40,209 Units sold during the year) (Current Investments)	—	—
2,42,965	Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Weekly Dividend (6,40,983 Units Purchased, 1,664 Units cumulated, 3,99,682 Units sold during the year) (Current Investments)	24,30.53	—
Standard Chartered Mutual Fund	— (2004-2,70,80,548) Units Grindlays Cash Fund - Institutional Plan - Growth (2,70,80,548 Units sold during the year) (Current Investments)	—	32,00.00
	— Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Daily Dividend (74,75,00,000 Units Purchased, 2,34,353 Units cumulated, 74,77,34,353 Units sold during the year) (Current Investments)	—	—
	— (2004-4,54,46,466) Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Growth (4,54,46,466 Units sold during the year) (Current Investments)	—	47,00.00
4,43,98,133	Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (14,69,78,239 Units Purchased, 22,42,859 Units cumulated, 10,48,22,965 Units sold during the year) (Current Investments)	44,40.48	—
1,08,76,476	(2004-14,49,83,087) Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Weekly Dividend (65,92,82,335 Units Purchased, 12,44,738 Units cumulated, 79,46,33,684 Units sold during the year) (Current Investments)	10,87.65	144,98.30
	— Units Grindlays Floating Rate Fund - Institutional Plan - Long Term Plan - Monthly Dividend (1,99,39,733 Units Purchased, 1,49,613 Units cumulated, 2,00,89,346 Units sold during the year) (Current Investments)	—	—
	— Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Daily Dividend (8,60,00,000 Units Purchased, 12,043 Units cumulated, 8,60,12,043 Units sold during the year) (Current Investments)	—	—
2,05,12,561	Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Monthly Dividend (2,00,48,933 Units Purchased, 4,63,628 Units cumulated during the year) (Current Investments)	20,54.33	—
	— Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Weekly Dividend (2,59,82,912 Units Purchased, 1,84,703 Units cumulated, 2,61,67,615 Units sold during the year) (Current Investments)	—	—
	— Units Grindlays Fixed Maturity Plan - 11 - Growth (1,50,00,000 Units Purchased, 1,50,00,000 Units sold during the year) (Current Investments)	—	—
2,00,00,000	Units Grindlays Fixed Maturity Plan - 17 - Dividend (2,00,00,000 Units Purchased during the year) (Current Investments)	20,00.00	—
	— (2004-2,00,00,000) Units Grindlays Fixed Maturity Plan - AP - Growth (2,00,00,000 Units sold during the year) (Current Investments)	—	20,00.00
1,50,00,000	Units Grindlays Fixed Maturity Plan - AP4 - Institutional Plan - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)	15,00.00	—
2,62,19,239	Units Grindlays Short Term Institutional Plan - Short Term - Plan C - Super Institutional Plan - Monthly Dividend (2,59,37,260 Units Purchased, 2,81,979 Units cumulated during the year) (Current Investments)	26,24.55	—
	— Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Daily Dividend (50,00,000 Units Purchased, 586 Units cumulated, 50,00,586 Units sold during the year) (Current Investments)	—	—
41,18,522	Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (2,39,70,359 Units Purchased, 1,21,001 Units cumulated, 1,99,72,838 Units sold during the year) (Current Investments)	4,11.92	—

Schedules to Balance Sheet

6. INVESTMENTS (Contd...)

(Long-term, Unquoted, unless otherwise stated)

		2005 Rs. lakhs	2004 Rs. lakhs
HDFC Mutual Fund	— Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Weekly Dividend (38,00,951 taken over (refer note 14(i)), 2,06,15,622 units purchased, 2,95,952 cumulated, 2,47,12,525 sold during the year) (Current Investments)	—	—
	— Units HDFC Cash Mgmt Fund - Savings Plan - Daily Dividend (7,05,12,580 Units Purchased, 8,689 Units cumulated, 7,05,21,269 Units sold during the year) (Current Investments)	—	—
	— (2004 - 4,56,66,454) Units HDFC Cash Mgmt Fund - Savings Plan - Growth (4,56,66,454 Units sold during the year) (Current Investments)	—	60,00.00
	— Units HDFC Cash Mgmt Fund - Savings Plan - Weekly Dividend. (75,24,455 Units Purchased, 75,24,455 Units sold during the year) (Current Investments)	—	—
	4,99,33,636 Units HDFC Cash Mgmt Fund - Savings Plus - Dividend (8,28,46,524) Units Purchased, 20,32,199 Units cumulated, 3,49,45,087 Units sold during the year) (Current Investments)	50,02.45	—
Birla Mutual Fund	— Units HDFC HIF - Short Term Plan - Dividend (47,34,894 Units Purchased, 32,682 Units cumulated, 47,67,576 Units sold during the year) (Current Investments)	—	—
	1 Units HDFC Liquid Fund - Premium Plus Plan - Weekly Dividend (73,78,562 Units Purchased, 64,847 Units cumulated, 74,43,408 Units sold during the year) (Current Investments)	—	—
	— (2004 - 89,09,684) Units Birla Bond Plus - Institutional Plan - Dividend (89,09,684 Units sold during the year) (Current Investments)	—	9,26.64
	— Units Birla Cash Plus - Institutional Premium Plan - Daily Dividend (15,66,94,048 Units Purchased 47,665 Units cumulated, 15,67,41,713 Units sold during the year) (Current Investments)	—	—
	— Units Birla Cash Plus - Institutional Premium Plan - Fortnightly Dividend (2,88,11,613 Units Purchased, 1,28,320 Units cumulated, 2,89,39,933 Units sold during the year) (Current Investments)	—	—
Deutsche Mutual Fund	5,49,71,920 Units Birla Cash Plus - Institutional Premium Plan - Monthly Dividend (5,39,63,683 Units Purchased, 10,08,237 Units cumulated during the year) (Current Investments)	54,99.06	—
	— Units Birla Cash Plus - Institutional Premium Plan - Weekly Dividend (16,39,14,823 Units Purchased, 4,41,671 Units cumulated, 16,43,56,494 Units sold during the year) (Current Investments)	—	—
	99,92,107 Units Birla Fixed Maturity Plan - Quarterly Series 2 - December 05 - Dividend (99,92,107 Units Purchased during the year) (Current Investments)	10,00.00	—
	5,00,00,000 Units Birla Fixed Term Plan - Series A - Growth (5,00,00,000 Units Purchased during the year) (Current Investments)	50,00.00	—
	— Units Deutsche Floating Rate Fund - Monthly Dividend (97,80,679 Units Purchased, 97,80,679 Units sold during the year) (Current Investments)	—	—
	— Units Deutsche Floating Rate Fund - Weekly Dividend (3,11,57,073 Units Purchased, 99,177 Units cumulated, 3,12,56,250 Units sold during the year) (Current Investments)	—	—
	1,00,00,000 Units Deutsche Fixed Term Fund - 389 Days - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)	10,00.00	—
	54,81,837 Units Deutsche Fixed Term Fund - Series 4 - Growth (1,00,00,000 Units Purchased, 45,18,163 Units sold during the year) (Current Investments)	5,45.98	—
	— (2004 - 1,50,71,306) Units Deutsche Insta Cash Plus Fund - Growth (1,50,71,306 Units sold during the year) (Current Investments)	—	16,00.00
	— Units Deutsche Insta Cash Plus Fund - Institutional Plan - Daily Dividend (6,68,69,605 Units Purchased, 14,620 Units - cumulated, 6,68,84,225 Units sold during the year) (Current Investments)	—	—
	— Units Deutsche Insta Cash Plus Fund - Institutional Plan - Weekly Dividend (11,68,27,776 Units Purchased, 5,23,133 Units - cumulated, 11,73,50,909 Units sold during the year) (Current Investments)	—	—
	— (2004 - 1,19,69,835) Units Deutsche Short Maturity Fund - Monthly Dividend (43,990 Units cumulated, 1,20,13,825 Units sold during the year) (Current Investments)	—	12,11.11
	— Units Deutsche Short Maturity Fund - Weekly Dividend (98,09,166 Units Purchased, 1,90,897 Units cumulated, 1,00,00,063 Units sold during the year) (Current Investments)	—	—

Schedules to Balance Sheet

6. INVESTMENTS (Contd...)

(Long-term, Unquoted, unless otherwise stated)

			2005 Rs. lakhs	2004 Rs. lakhs
HSBC Mutual Fund	—	(2004 - 1,49,65,019) Units HSBC Cash Fund - Institutional Plan - Growth (1,49,65,019 Units sold during the year) (Current Investments)	—	16,00.00
	—	Units HSBC Cash Fund - Institutional Plus - Daily Dividend (4,19,76,494 Units Purchased, 17,703 Units cumulated, 4,19,94,197 Units sold during the year) (Current Investments)	—	—
	2,51,73,398	(2004 - 19,25,63,707) Units HSBC Cash Fund - Institutional Plus - Monthly Dividend (16,36,25,243 Units Purchased, 8,57,539 Units cumulated, 33,18,73,091 Units sold during the year) (Current Investments)	25,19.43	192,63.49
	—	(2004 - 7,50,02,767) Units HSBC Cash Fund - Institutional Plus - Weekly Dividend (1,67,65,862 Units Purchased, 56,189 Units cumulated, 9,18,24,818 Units sold during the year) (Current Investments)	—	75,01.92
	1,80,44,571	Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus - Daily Dividend (1,79,96,401 Units Purchased, 48,170 Units cumulated during the year) (Current Investments)	18,04.82	—
	3,88,29,717	Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus - Monthly Dividend (3,86,76,366 Units Purchased, 1,53,351 Units cumulated during the year) (Current Investments)	38,85.07	—
	—	Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plan - Daily Dividend (3,09,59,134 Units Purchased, 28,466 Units cumulated, 3,09,87,600 Units sold during the year) (Current Investments)	—	—
	—	Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plan - Monthly Dividend (10,65,13,318 Units Purchased, 18,89,859 Units cumulated, 10,84,03,177 Units sold during the year) (Current Investments)	—	—
	—	Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plan - Weekly Dividend (1,99,64,065 Units Purchased, 65,425 Units cumulated, 2,00,29,490 Units sold during the year) (Current Investments)	—	—
	1,00,00,000	Units HSBC Fixed Term Scheme 1 - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)	9,96.51	—
Principal Mutual Fund	—	(2004 - 2,39,38,564) Units PRINCIPAL Cash Mgmt. Fund Liquid Option - Institutional Plan - Growth (2,39,38,564 Units sold during the year) (Current Investments)	—	25,00.00
	—	Units PRINCIPAL Cash Mgmt. Fund Liquid Option - Institutional Premium Plan - Daily Dividend (9,39,93,741 Units Purchased, 29,926 - Units cumulated, 9,40,23,667 Units sold during the year) (Current Investments)	—	—
	—	(2004 - 4,92,38,287) Units PRINCIPAL Cash Mgmt. Fund Liquid Option - Institutional Premium Plan - Growth (4,92,38,287 Units said during the year) (Current Investments)	—	50,00.00
	7,22,37,373	(2004 - 13,87,45,487) Units PRINCIPAL Cash Mgmt. Fund Liquid Option - Institutional Premium Plan - Monthly Dividend (25,26,40,497 Units Purchased, 41,91,497 Units cumulated, 32,33,40,108 Units sold during the year) (Current Investments)	72,26.70	138,78.74
	1,49,98,651	(2004 - 2,70,27,497) Units PRINCIPAL Cash Mgmt. Fund Liquid Option - Institutional Premium Plan - Weekly Dividend (26,51,91,645 Units Purchased, 7,64,930 Units cumulated, 27,79,85,421 Units sold during the year) (Current Investments)	15,00.00	27,02.82
	1,50,00,000	Units PRINCIPAL Deposit Fund - 371 days - March 05 - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)	15,00.00	—
	1,50,00,000	Units PRINCIPAL Deposit Fund - November 05 - 91 days - Dividend (1,50,00,000 Units Purchased during the year) (Current Investments)	15,00.00	—
	—	Units PRINCIPAL Floating Rate Fund - Fixed Maturity Plan - Institutional Plan - Weekly Dividend (99,93,080 Units Purchased, 2,42,087 Units cumulated, 1,02,35,167 Units sold during the year) (Current Investments)	—	—
	—	Units PRINCIPAL Floating Rate Fund - Short Maturity Plan - Institutional Plan - Monthly Dividend (5,51,58,502 Units Purchased, 5,32,401 Units cumulated, 5,56,90,903 Units sold during the year) (Current Investments)	—	—
	—	Units PRINCIPAL Floating Rate Fund - Short Maturity Plan - Institutional Plan - Weekly Dividend (5,49,85,157 Units Purchased, 3,14,720 Units cumulated, 5,52,99,877 Units sold during the year) (Current Investments)	—	—

Schedules to Balance Sheet

6. INVESTMENTS (Contd...)

(Long-term, Unquoted, unless otherwise stated)

2005
Rs. lakhs2004
Rs. lakhs

	2,31,85,393	Units PRINCIPAL Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend (2,28,70,821 Units Purchased, 3,14,572 Units cumulated during the year) (Current Investments)	25,32.80	—
Franklin Templeton Investments	—	Units Templeton Floating Rate Income Fund ST - Dividend (8,38,31,858 Units Purchased, 4,08,265 Units cumulated, 8,42,40,123 Units sold during the year) (Current Investments)	—	—
	—	Units Templeton India Treasury Management Account - Institutional Plan - Weekly Dividend (1,99,844 Units Purchased, 333 Units cumulated, 2,00,177 Units sold during the year) (Current Investments)	—	—
	—	Units Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend (2,49,974 Units Purchased, 785 Units cumulated, 2,50,759 Units sold during the year) (Current Investments)	—	—
	—	Units Templeton India Treasury Management Account - Super Institutional Plan - Weekly Dividend (2,50,595 Units Purchased, 1,001 Units cumulated, 2,51,596 Units sold during the year) (Current Investments)	—	—
ABN AMRO Mutual Fund	7,79,70,636	Units ABN AMRO Cash Fund - Insti. Plus Plan - Monthly Dividend (7,71,36,583 Units Purchased, 8,34,053 Units cumulated during the year) (Current Investments)	77,97.80	—
	—	Units ABN AMRO Cash Fund - Institutional Plan - Monthly Dividend (4,39,21,982) Units Purchased, 1,85,936 Units cumulated, 4,41,07,918 Units sold during the year) (Current Investments)	—	—
SBI Mutual Fund	—	Units SBI Magnum Institutional Income - Savings Plan - Daily Dividend (4,78,44,506 Units Purchased, 31,514 Units cumulated, 4,78,76,020 Units sold during the year) (Current Investments)	—	—
	6,04,97,483	Units SBI Magnum Institutional Income Savings Plan - Fty Dividend (5,96,64,937 Units Purchased, 8,32,546 Units cumulated during the year) (Current Investments)	60,87.80	—
	—	Units SBI Magnum Institutional Income Savings Plan - Weekly Dividend (2,18,74,640 Units Purchased, 1,33,460 Units cumulated, 2,20,08,100 Units sold during the year) (Current Investments)	—	—
TATA Mutual Fund	1,50,00,000	Units Tata Fixed Horizon Fund - Series 2 - Plan B - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)	14,98.23	—
	—	Units Tata Liquid Fund - SHIP - Daily Dividend (89,727 Units Purchased, 143 Units cumulated, 89,870 Units sold during the year) (Current Investments)	—	—
	1,79,417	Units Tata Liquid Fund - SHIP - Monthly Dividend (1,77,068 Units Purchased, 2,349 Units cumulated during the year) (Current Investments)	20,28.17	—
TOTAL - D			1322,44.85	1725,79.78
TOTAL (A+B+C+D)			2148,72.40	2328,01.42
Provision for diminution in value of long-term investments			(134,52.56)	(98,45.15)
TOTAL			2014,19.84	2229,56.27
Aggregate book value of investments	Unquoted		1896,19.08	2079,13.65
	Listed but not quoted		—	1.00
	Quoted - Market Value Rs. 364,81.40 lakhs		118,00.76	150,41.62
	(2004 - Rs. 342,22.71 lakhs)			
TOTAL			2014,19.84	2229,56.27

Schedules to Balance Sheet

	2005 Rs. lakhs	2004 Rs. lakhs
7. INVENTORIES (at lower of cost and net realisable value)		
Stores and spare parts, etc.	26,11.98	37,45.62
Raw materials	652,79.67	698,58.14
Packing materials	81,04.92	96,82.86
Work-in-progress	26,29.71	45,62.72
Processed chemicals	91.82	1,09.07
Finished goods	534,10.04	590,39.76
Property Development Activity - Work-in-progress (Refer Note 15 to Profit and Loss Account)	48.77	46.09
	<u>1321,76.91</u>	<u>1470,44.26</u>
8. SUNDRY DEBTORS (unsecured)		
Considered good		
Over 6 months old	32,52.03	61,83.72
Others	<u>490,30.82</u>	<u>427,43.25</u>
	522,82.85	489,26.97
Considered doubtful		
Over 6 months old	62,53.02	70,85.49
Others	<u>—</u>	<u>—</u>
	62,53.02	70,85.49
	<u>585,35.87</u>	<u>560,12.46</u>
Less : Provision for doubtful debts	<u>(62,53.02)</u>	<u>(70,85.49)</u>
	<u>522,82.85</u>	<u>489,26.97</u>
9. CASH AND BANK BALANCES		
Cash on hand	96.30	1,11.61
With Scheduled banks	102,80.69	101,86.65
- on current accounts	251,26.20	595,06.54
- on deposit accounts (includes Rs. Nil lakhs as lien on bank deposits for loan given to subsidiaries; 2004 - Rs. 55,00.00 lakhs)		
	<u>355,03.19</u>	<u>698,04.80</u>
10. OTHER CURRENT ASSETS		
Income accrued on investments and deposits	20,69.08	39,03.62
Dividends receivable from subsidiary companies	—	4,60.35
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	3,20.00	9,13.74
	<u>23,89.08</u>	<u>52,77.71</u>
11. LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances and loans to subsidiaries		
Considered good (including Rs. 6,00.00 lakhs (2004 - Rs. 6,00.00 lakhs) secured by equitable mortgage on immovable properties)	65,51.69	59,97.14
Considered doubtful	<u>—</u>	<u>3,00.00</u>
	65,51.69	62,97.14
Less : Provision for doubtful advances	<u>—</u>	<u>(3,00.00)</u>
	65,51.69	59,97.14

Schedules to Balance Sheet

	2005 Rs. lakhs	2004 Rs. lakhs
Advances recoverable in cash or in kind or for value to be received [including :-	335,84.16	374,21.38
(i) Rs. 132,36.36 lakhs (2004 - Rs. 145,45.17 lakhs) not due before 31st December, 2006;		
(ii) Rs. Nil lakhs (2004 - Rs. Nil lakhs) due from officers of the Company - maximum amount due during the year Rs. Nil lakhs (2004 - Rs. 30.28 lakhs);		
(iii) Rs. 0.10 lakhs (2004 - Rs. 0.10 lakhs) due from the directors of the Company - maximum amount due during the year Rs. 1,58.04 lakhs (2004 - Rs. 26.92 lakhs)]		
Considered doubtful	36,37.16	29,72.97
	372,21.32	403,94.35
Less : Provision for doubtful advances	(36,37.16)	(29,72.97)
	335,84.16	374,21.38
Receivable from Emergent Genetics India Private Limited (Formerly known as Paras Extra Growth Seeds Limited)	—	16,80.00
Deposits with Customs, Port Trust, Excise, etc.	138,11.30	143,43.27
	539,47.15	594,41.79
12. LIABILITIES		
Acceptances	560,64.90	447,38.31
Sundry creditors (see Schedule 19)		
Small Scale Industrial Undertakings	42,68.29	43,18.90
Others	2302,28.54	1986,05.60
	2344,96.83	2029,24.50
Amounts due to Subsidiaries	—	16.25
Advances and progress payments - Property Development Activity	6.24	1,21.78
Security advances	15,53.88	16,09.50
Dividends declared pending payment / encashment	35,51.95	34,88.85
Interest accrued but not due on loans	2,69.18	61,79.95
	2959,42.98 *	2590,79.14*
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
13. PROVISIONS		
Provision for retirement / post retirement benefits and other employee benefits	469,51.20	446,83.16
Proposed dividend	550,31.09	550,31.09
Current taxation (provisions in excess of payments) including tax on distributed profits	65,86.12	57,40.47
Fringe Benefit Taxation	8,77.00	—
Miscellaneous provisions (Schedule 17)	64,41.45	68,91.65
	1158,86.86	1123,46.37
14. DEFERRED TAX ASSETS		
On employee separation and retirement	183,19.92	198,10.43
On other timing differences	116,70.44	120,32.72
On fiscal allowances on investments	5,29.68	2,65.00
Other items	33,48.13	44,76.51
Note : Deferred tax assets taken over consequent to the scheme of arrangement for amalgamation Rs. 4,58.83 lakhs (Refer note 14(i) to Profit and Loss account)		
	338,68.17	365,84.66

Schedules to Balance Sheet

	2005 Rs. lakhs	2004 Rs. lakhs
15. DEFERRED TAX LIABILITIES		
On fiscal allowances	118,53.71	139,84.61
Note :		
Deferred tax liabilities taken over consequent to the scheme of arrangement for amalgamation Rs. 1,49.08 lakhs (Refer note 14(i) to Profit and Loss account)	118,53.71	139,84.61

- 16.** Certain demands for increased wages, etc. received from workmen have been referred to adjudication. In the opinion of the Company's management, the ultimate liability to the Company, if any, with respect to such demands would not have a material effect on the accounts.

17. PROVISIONS	As at 1st January, 2005 Rs. lakhs	Provision made during the year * Rs. lakhs	Amounts utilised/ reversed during the year Rs. lakhs	As at 31st December, 2005 Rs. lakhs
Miscellaneous provisions	68,91.64	14,42.63	(18,92.83)	64,41.44

* Includes the provision taken over by the Company on amalgamation. Refer note 14(i) to the Profit and Loss account.

Future cash outflow in respect of the above is determinable only on occurrence of uncertain future events.

18. CONTINGENT LIABILITIES	2005 Rs. lakhs	2004 Rs. lakhs
(a) Claims made against Company not acknowledged as debts		
Income tax matters	238,40.62	235,06.55
Sales tax matters-gross Rs. 213,05.91 lakhs (2004 - Rs. 248,60.50 lakhs) net of tax	141,34.34	157,63.42
Excise and Customs duty matters-gross Rs. 59,89.77 lakhs (2004 - Rs. 21,76.92 lakhs) net of tax	39,73.61	13,80.33
Other matters-gross Rs. 60.60 lakhs (2004 - Rs. 8,83.78 lakhs)	40.20	5,60.38
(b) Bills discounted but not matured	—	10.28
(c) Guarantees given to banks etc. in respect of third parties	48,44.57	64,20.16

Note : Future cash outflows in respect of (a) above are determinable only on receipt of judgements/decisions pending with various forums/authorities.

- 19.** The names of small scale industries to whom the Company owes dues outstanding for more than 30 days at the Balance Sheet date, computed on unit-wise basis, are : Lihala Packaging (P) Limited, Sigma Pack, Southern Prime Pack, Prime Pack, Mahantesh United, Kayeness Pvt. Ltd., Sai Cartan Manufacturing Co., Classic Welding Products, Tristar Packaging, Ambal Packages, Dinesh Minerals, Sunbeam Minerals Industries, Jobland Enterprises, Janak Chemicals Pvt. Ltd., Burhani Mineral & Grinding, Tirupati Chemicals, Essem Technologies Pvt. Ltd., Vimalachal Print & Pack Ltd., Guj, Amrita Industries, Kayen Print Process, Ksr Plastics, Mandagini Agencies, Heeshi Tubes, Nithya Packaging Pvt. Ltd., Sudarshan Mineral Industries, Emmbi Polyarns Pvt. Ltd., Creative Polypack Ltd., Kanpur, Trinity Polymers, Aranthangi Chemicals (P) Ltd., K. Maniklal & Co., Harison Chemicals, Advance Detergents Ltd., S.Kay Inc., S. Kushalchand & Co., Worth Pack Pvt. Ltd., Naga Limited, Triveni Chemicals, Aparna Paper Processing Ind., Laxmi Agro Inudtrial, Chemex Dets, Oriclean Pvt. Limited, Guru Detergents, Prockage Soapery, Hitech Surfactants, Nirmala Dyechem and Mansa.

The above information and that given in Schedule 12 - "Liabilities" regarding small scale industrial undertaking has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Schedules to Balance Sheet

20. Events subsequent to the Balance Sheet date :

- (i) The Scheme of arrangement for amalgamation of Vashisti Detergents Limited with the Company was approved by the Honourable High Court of Bombay, the effect of which has not been given in the accounts.
- (ii) The Company has signed a share sale agreement to dispose of its investments in a subsidiary.

21. Interests in Joint Ventures :

The Company's interests, as a venturer, in jointly controlled entities (Incorporated Joint Ventures) are :

Name	Country of Incorporation	Percentage of ownership interest as at 31st December, 2005	Percentage of ownership interest as at 31st December, 2004
Kimberly Clark Lever Private Limited	India	50%	50%
Quest International India Limited	India	49%	49%

The Company's interests in these Joint Ventures are reported as Long-term Investments (Schedule 6) and stated at cost. However, the Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of, the effect of transactions between the Company and the joint venture) related to its interests in these joint ventures, based on financial information as certified by the Directors of the Joint Ventures, are :

	As at 31st December, 2005 (Rs. lakhs)	As at 31st December, 2004 (Rs. lakhs)
I. ASSETS		
1. Fixed Assets	36,45.46	41,43.26
2. Investments	31,49.64	22,66.12
3. Current Assets, Loans and Advances		
a) Inventories	13,79.33	10,62.40
b) Sundry Debtors	10,79.06	8,36.51
c) Cash and Bank Balances	39,84.03	33,56.56
d) Other Current Assets	1,54.78	1,68.31
e) Loans and Advances	15,75.88	9,33.56
II. LIABILITIES		
1. Secured Loans	(1,25.19)	—
2. Deferred Tax Net	(3,99.43)	(5,53.26)
3. Current Liabilities and Provisions		
a) Liabilities	(28,16.03)	(22,72.88)
b) Provisions	(7,51.01)	(3,13.12)
	For the year ended 31st December, 2005 (Rs. lakhs)	For the year ended 31st December, 2004 (Rs. lakhs)
III. INCOME		
1. Sales (net of excise duty)	108,75.82	92,71.52
2. Other Income	4,15.64	3,49.09
IV. EXPENSES		
1. Operating Expenses	(91,65.88)	(72,51.80)
2. Depreciation	(5,23.46)	(7,01.60)
3. Interest	(1.21)	(1.09)
4. Provision for Taxation (including deferred taxation)	(4,26.00)	(5,31.55)
V. OTHER MATTERS		
Contingent Liabilities	—	—

22. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Statements forming part of the Profit and Loss Account

1. Licensed/Installed annual capacities on single shift basis (unless otherwise stated)

	Licensed Capacity		Installed Capacity	
	2005 Tonnes	2004 Tonnes	2005 Tonnes	2004 Tonnes
Scheduled :				
Processed triglycerides/ hydrogenated oils/ vanaspati	35,617	38,950	—	8,166
Soaps	3,30,305	3,77,538	1,98,250	2,00,084
Synthetic detergents	4,55,017	4,46,580	3,01,774	3,07,946
Personal products (h)	2,15,352	2,50,898	79,612	74,175
Glycerine	8,857	12,324	5,243	5,910
Fabric softener	2,833	2,833	4,281	4,281
Fatty acids	84,667	94,333	56,667	60,000
Perfumery and cosmetic products (units) (d)	30,00,000	30,00,000	37,50,000	37,50,000
Perfumery and cosmetic products	3,022	362	3,136	500
Packet Tea below 1kg. and tea bags (d)	5,000	5,000	—	—
Instant Tea	1,500	650	1,200	1,200
Frozen Surimi, Fresh and Frozen fish, Mollusees, etc.	25,125	41,481	25,125	40,096
Ice-cream/Frozen desserts (Mln. Kgs.) (i)	22	22	13	8
Non-scheduled :				
Packed Tea	N.A.	N.A.	1,93,138	2,82,003
Packed Coffee	N.A.	N.A.	7,900	7,900
Scourers (e)	N.A.	N.A.	23,467	6,800
Refined Oils	N.A.	N.A.	1,070	1,070
Cleaners	N.A.	N.A.	1,48,00,000	—

(a) N.A. - Not Applicable

(b) Licensed capacities include registered capacities for activities existing prior to the Industries (Development and Regulation) Act, 1951, and the Industrial Entrepreneurs Memorandum (IEM) filed with the Government and duly acknowledged by them under the Scheme of delicensing Government and duly acknowledged by them under the Scheme of delicensing notified by the Government but excludes non-scheduled activities where IEMs have been filed in lieu of DGTD registrations.

(c) The installed capacities are as per certificate given by a Director on which the auditors have relied.

(d) The capacity mentioned is annual capacity based on maximum utilisation of plant and machinery.

(e) Scourers, being a non-scheduled activity, no industrial licence is required. However, under the Government Scheme of Single point clearance for Kandla Free Trade Zone, a licence for 1,667 tonnes per annum has been granted.

(f) Licensed and installed capacities for the year indicated above include those vested in the Company consequent to merger and amalgamation various companies with the Company.

(g) Packet tea being a non-scheduled activity no license or approval is required except for registration for statistical purposes. However Government of India has issued one license for certain packet tea units treating them as a specimen of processed food industry.

(h) Since the undertaking at Mumbai and Kolkata for manufacture of toilet preparations were in existence prior to the enactment of the Industries (Development and Regulation) Act, 1951, the Company was only required to obtain a Registration Certificate and later under an amendment of the Act in 1975, to apply for endorsement of capacity on the same. The capacities disclosed herein, as is done previously, are in accordance with the Company's submissions to the Government relating to its installed and productive capacities. The Government has during 1985, endorsed lower capacities aggregating 838 tonnes as against 3,005 tonnes claimed by the Company without a technical inspection of the Company's installed capacities and ignoring certain Letters of Approval / Licences issued by the Government between 1951 and 1967. As provided under the law and the guidelines issued by the Government, the Company has represented to the Government and requested for a review of their decision based on technical inspection and earlier letters of approvals / licences and that the endorsement be brought in line with the Company's claims. Government response is awaited.

(i) Ice creams and Frozen Desserts are alternate capacities.

	2005 Tonnes	2004 Tonnes
2. Production		
Processed triglycerides / hydrogenated oils / vanaspati	5,244**	2,841**
Soaps	306,351**	294,461**
Synthetic detergents	780,836**	708,438**
Personal Products ('000 nos.)	40,70,145	31,59,729
Glycerine : Refined	4,408**	3,695**
Fine chemicals	— **	309**
Packed Tea	70,531**	64,272**
Garden Tea	2,675	16,066
Instant Tea	1,423	1,070
Packed Coffee	13,241**	12,125**
Functionalised biopolymers	4,885	8,799
Processed Foods	22,148	24,448
Canned and Processed Fruits and Vegetables	22,971**	16,414**
Frozen Desserts (Million Ltrs.)	6	4

** Includes :

- (a) Third party processing :
Processed triglycerides / hydrogenated oils / vanaspati - 2,035 tonnes (2004 - Nil), Soaps - 7,026 tonnes (2004 - 16,626 tonnes), Synthetic detergents - 356,108 tonnes (2004 - 347,328 tonnes), Glycerine - 2,756 tonnes (2004 - 304 tonnes), Fine Chemicals - Nil tonnes (2004 - 59 tonnes), Packed Tea - 4,623 tonnes (2004 - 3,225 tonnes), Packed Coffee - 1,485 tonnes (2004 - 5,574 tonnes), Canned and Processed Fruits and Vegetables - 10,251 tonnes (2004 - 10,690 tonnes).
- (b) Processing in leased units : Processed triglycerides / hydrogenated oil / vanaspati - 3,209 tonnes (2004 - 2,841 tonnes).

2005

Statements forming part of the Profit and Loss Account

	2005		2004	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
3. Sales (including exports)				
Soaps	3,71,681	2542,78.82	3,67,880	2380,91.54
	1,698*		551*	
Synthetic detergents	10,27,677	2164,50.88	929,540	1872,62.23
	2,216*		1,376*	
Personal Products ('000 nos.)	92,80,290	2994,86.19	7,366,198	2459,94.34
	34,471*		59,375*	
Garden Tea (d)	3,611	18,17.11	12,348	67,82.36
	388*		3,763*	
Tea	1,08,419	1422,91.38	97,202	1347,17.16
Coffee	26,685	377,85.94	26,519	336,31.36
Frozen Desserts & Ice Creams (Million Ltrs.)	15	97,03.38	11	87,74.26
Processed triglycerides/hydrogenated oils/vanaspati	50,213	199,92.59	44,561	183,65.50
Canned and Processed Fruits and Vegetables	29,697	173,94.29	26,187	146,15.75
Branded Staple Foods (a)	2,76,213	167,77.38	2,79,030	161,44.15
Speciality Chemicals (b)	14,045	51,64.41	14,983	58,94.09
	1,329*		1,778*	
Others (c)		849,12.25		824,21.90
		11060,54.62		9926,94.64

Notes :

- (a) Branded staple foods includes wheat flour, iodised salt and rice in consumer packs.
 (b) Speciality Chemicals comprises Glycerine, Fine Chemicals, Mixtures of Odoriferous substances, Functionalised biopolymers, Perfumery compounds, Flavouring essences and Oleo chemicals.
 (c) Others includes Scourers, Marine products, Agri commodities, Leather, Footwear, Garments, Carpets etc.
 (d) Excludes stocks transferred on demerger of Doom Dooma and TEI Plantation Division to separate subsidiaries.

* Figures denote quantities used for captive consumption/reprocessing/sales promotion.

	2005		2004		2003	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
4. Closing stocks (including processed chemicals)						
Processed triglycerides/hydrogenated oils/vanaspati	1,720	8,30.25	3,681	14,70.76	2,067	7,26.67
Soaps	26,747	139,96.23	27,777	150,51.48	35,474	178,65.01
Synthetic detergents	45,156	104,87.78	48,214	106,74.04	46,948	103,59.40
Personal Products ('000 nos.)	11,06,333	154,46.18	9,49,162	215,79.08	13,57,223	245,04.78
Fine Chemicals	—	—	3	4.57	118	3,14.13
Tea	5,225	38,78.16	4,447	36,67.76	4,858	33,34.99
Coffee	1,164	15,83.09	841	10,00.04	950	10,56.53
Functionalised biopolymers	112	27.34	182	55.55	178	36.45
Others		72,52.83		56,45.55		73,78.14
		535,01.86		591,48.83		655,76.10

Notes :

In addition :

- (i) Stocks on 1st January, 2005 of Merryweather Food Products Limited taken over consequent to the scheme of arrangement for amalgamation : Others Rs. 11.60 lakhs.
 (ii) Stocks on 1st April, 2005 of Lever India Exports Limited and TOC Disinfectants Limited taken over consequent to the scheme of arrangement for amalgamation : Personal products ('000 Nos.) 2,677; Rs. 2,55.25 lakhs, Others Rs. 2,28.95 lakhs.
 (iii) Stocks on 31st March, 2005 of Doom Dooma and TEI plantation divisions transferred to subsidiaries consequent to the Scheme of Demerger : Others Rs. 6,69.67 lakhs.

	2005		2004	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
5. Raw materials consumed @				
Oils, fats and rosins	2,45,443	688,18.86	2,06,302	577,14.97
Chemicals and perfumes	10,66,362	1582,73.50	9,38,831	1309,50.09
Tea and Green Leaf *	1,10,008	650,46.92	1,66,939	664,57.99
Coffee	25,704	168,27.65	25,292	120,94.86
Others		465,09.39		454,40.03
		3554,76.32		3126,57.94

* Includes Green Leaf plucked / purchased and consumed.

@ Relates to the Company's main products and principal raw materials.

Statements forming part of the Profit and Loss Account

		2005		2004	
		%	Rs. lakhs	%	Rs. lakhs
6.	Value of imported and indigenous materials consumed				
	Raw materials	17	616,02.97	20	616,21.45
	- Imported	83	2,938,73.35	80	2510,36.49
	- Indigenous				
	Spare parts and components				
	(including stores)	19	10,82.64	32	18,27.01
	- Imported	81	46,14.11	68	38,28.88
	- Indigenous				
			2005		2004
			Rs. lakhs		Rs. lakhs
7.	Value of imports on CIF basis				
	(excluding purchases from canalising agencies and imported items purchased locally)				
	Raw and packing materials		642,25.74		629,63.60
	Spare parts and components		7,93.78		19,62.66
	Capital goods		2,58.14		27,92.50
			652,77.66		677,18.76
		2005		2004	
		Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
8.	Purchase of goods				
	Processed triglycerides/hydrogenated oils/vanaspati	43,008	154,60.14	43,334	165,91.61
	Soaps	65,998	231,83.49	66,273	265,30.94
	Synthetic detergents	2,45,999	341,67.23	2,23,744	280,38.54
	Personal Products ('000 nos.)	54,01,787	512,95.25	385,77,83	500,17.62
	Ice creams (Million Ltrs.)	9	43,37.19	8	51,22.24
	Others (agri commodities, scourers, edible oils and fats, etc.)		473,33.25		380,12.10
	Total		1757,76.55		1643,13.05
	Less : Excise duty on purchases		(143,85.78)		(170,73.79)
			1613,90.77		1472,39.26
		2005		2004	
		Rs. lakhs		Rs. lakhs	
9.	Earnings in foreign exchange				
	Exports at FOB (including exports to Nepal and Bhutan)		1294,68.35		1201,45.17
	Royalty		—		63.42
	Others (income from services, freight, insurance, claims, proceeds from sale of fixed assets, etc.)		152,95.61		115,36.31
			1447,63.96		1317,44.90
10.	Expenditure in foreign currency				
	(on payment basis) (subject to deduction of tax where applicable)				
	Consultancy		9,92.94		13,45.32
	Royalty		60,56.29		51,32.76
	Interest		14.54		52,42.05
	Other matters :				
	(a) Imports of goods for resale		10,52.60		13,08.50
	(b) Others		86,05.50		47,18.80
			167,21.87		177,47.43
11.	Net dividend remitted in foreign currency				
	2003 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each		—		340,45.48
	2004 Interim to 7 shareholders on 1,13,48,49,460 shares of Re.1 each		—		283,71.24
	2004 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each		283,71.24		—
	2005 Interim to 7 shareholders on 1,13,48,49,460 shares of Re. 1 each		283,71.24		—
			567,42.48		624,16.72

12. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

2005

Statements forming part of the Profit and Loss Account

	2005 Rs. lakhs	2004 Rs. lakhs
13. Directors' remuneration		
Salaries	1,54.45	1,70.92
Performance Linked Bonus / Commission to Wholetime Directors	2,90.40	3,29.50
Commission to Non-Wholetime Directors	25.00	25.00
Contribution to provident fund	53.38	55.37
Other perquisites*	57.95	71.24
	5,81.18	6,52.03

* The stock options granted by the Company were at market price and not at a discount. But consequent to the Scheme of Arrangement between the Company and its members for issue of bonus debentures, the value of stock options outstanding were reduced by Rs. 8.76 per option. In accordance with the guidelines issued by Securities and Exchange Board of India, and also as a conservative accounting policy, the accounting value of options arising out of the reduction of Rs. 8.76 per option is being amortised over the vesting period. Accordingly perquisites include amortisation of Employee Stock Options amounting to Rs.1.45 lakhs (2004 : Rs. 15.55 lakhs).

Note :

Provisions for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations done on an overall company basis are excluded above.

Computation of net profits in accordance with Section 198 of the Companies Act, 1956 and the commission payable to directors

	2005 Rs. lakhs	2004 Rs. lakhs
Net Profit after taxation	1408,10.44	1197,34.37
Add :		
Depreciation (as per accounts)	124,45.32	120,89.94
Directors' remuneration	5,81.18	6,52.03
Directors' fees	11.20	8.60
Provision / (write back) for doubtful debts and advances (net)	(7,37.82)	(11,16.08)
Book deficit / (surplus) on fixed assets sold, scrapped, etc. (net)	(4,65.73)	26,75.49
Surplus on disposal of investments (net)	(27,79.27)	(24,50.29)
Provision for diminution in value of investment in subsidiaries	16,00.00	87,27.00
Provision for loss arising out of disposal of a subsidiary company	14,21.58	—
Provision / (write back) for diminution in value of Investments and excess of cost over fair value of current investments (net), included in miscellaneous expenses	6.06	(1,29.15)
Provision for diminution in value of long-term investments	16,42.41	—
Provision for impairment of sea food exports business assets (including goodwill and trademark)	38,43.96	—
Provision for loss arising out of disposal of mushroom undertaking, included in exceptional items	—	3,01.17
Provision / (write back) for estimated losses on disposal of fixed assets, included in miscellaneous expenses and exceptional items	—	(24,07.34)
Profit arising on disposal of land	—	(94,85.19)
Profit arising on disposal of a long-term investment	(43,68.86)	(40,54.08)
Profit arising out of demerger of plantation business	(80,96.95)	—
Taxation for the year (after considering exceptional items)	192,43.20	287,66.40
	243,46.28	335,78.50
	1651,56.72	1533,12.87
Less :		
Depreciation under Section 350	132,77.36	125,18.18
Deficit / (Surplus) on disposal of fixed assets (net) under Section 349	(14,61.36)	48,96.07
	118,16.00	174,14.25
Net profit for Section 198 of the Companies Act, 1956	1533,40.72	1358,98.62
Commission to Non-Wholetime Directors at 1%	15,33.41	13,58.99
Commission to Wholetime Directors	76,67.04	56,66.97
Commission payable for the year	3,15.40	3,54.50

Notes to the Cash Flow Statement for the year ended 31st December, 2005

	2005 Rs. lakhs	2004 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	355,03.19	698,04.80
Unrealised loss / (gain) on foreign currency cash and cash equivalents	—	0.06
Total cash and cash equivalents	<u>355,03.19</u>	<u>698,04.86</u>
2. During the year, the Company demerged its Doom Dooma and TEI plantation divisions to its fully owned subsidiaries, for a consideration of Rs. 143,00.00 lakhs received in the form of equity shares and debentures. (Refer note 14(ii) to Profit and Loss Account)		
3. Cash and Cash equivalents includes Rs. Nil lakhs lien on bank deposits for loans availed by subsidiaries; 2004 - Rs. 55,00.00 lakhs		
4. Figures in brackets indicate Cash Outgo.		
5. In view of note 2 above and note 14(i) to the Profit and Loss Account, the current year's figures are not comparable with that of the previous year.		
6. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard - 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.		
7. The previous year's figures have been regrouped / restated wherever necessary to conform to this year's classification.		

Segment Information for the Year Ended 31st December, 2005

Information about Primary Business Segments

	2005 Rs. lakhs			2004 Rs. lakhs		
REVENUE	External	Intersegment	Total	External	Intersegment	Total
Soaps and Detergents	4961,70.51		4961,70.51	4470,74.07		4470,74.07
Personal Products	2951,87.31		2951,87.31	2472,24.43		2472,24.43
Beverages	1277,44.74		1277,44.74	1194,55.06		1194,55.06
Foods	313,71.52		313,71.52	285,07.01		285,07.01
Ice Creams	98,14.67		98,14.67	88,94.24		88,94.24
Exports	1347,79.94		1347,79.94	1249,01.54		1249,01.54
Other Operations	243,19.70	7,26.56	250,46.26	274,73.07	25,41.95	300,15.02
Total Segment	11193,88.39	7,26.56	11201,14.95	10035,29.42	25,41.95	10060,71.37
Eliminations			(7,26.56)			(25,41.95)
Total Revenue (see note 3 to Segment Information)			11193,88.39			10035,29.42
RESULT						
Soaps and Detergents			683,68.79			775,06.18
Personal Products			845,20.85			807,50.24
Beverages			242,40.46			238,70.75
Foods			(16,10.18)			(81,76.35)
Ice Creams			5,07.67			(4,69.15)
Exports			49,06.05			39,61.76
Other Operations			(27,68.31)			(32,86.06)
Total Segment			1781,65.33			1741,57.37
Total Consolidated			1781,65.33			1741,57.37
Un-allocated expenditure net of un-allocated income			(310,22.28)			(287,98.85)
Operating Profit			1471,43.05			1453,58.52
Interest expenses			(19,19.31)			(129,98.43)
Interest / dividend income and surplus on disposal of investments (net of provision / write back for diminution in long-term investments and mark down of current investment)			152,23.39			181,71.66
Taxation for the year (including adjustments of previous years)			(249,96.32)			(306,04.10)
Profit after taxation and before exceptional items			1354,50.81			1199,27.65
Exceptional items - income and expenditure (Segment)						
Soaps and Detergents		(19,51.95)			(26,03.17)	
Personal Products		—			(39,35.15)	
Beverages		—			(18,56.48)	
Foods		—			93,97.54	
Ice Creams		(15,00.00)			—	
Exports		(38,43.96)			—	
Other Operations		93,36.95			(44,35.42)	
			20,41.04			(34,32.68)
Exceptional items – income and expenditure (Unallocated / Corporate)			(24,34.54)			14,01.70
Tax credit (net)			57,53.13			18,37.70
Net Profit			1408,10.44			1197,34.37

Segment Information for the Year Ended 31st December, 2005

Information about Primary Business Segments

Other Information	Segment Assets		Segment Liabilities	
	Rs. lakhs		Rs. lakhs	
	2005	2004	2005	2004
Soaps and Detergents	1470,25.23	1484,88.24	(1533,58.64)	(1208,02.48)
Personal Products	701,18.12	783,99.86	(473,37.94)	(492,27.44)
Beverages	402,04.77	421,18.02	(464,12.00)	(442,36.18)
Foods	111,31.47	110,23.61	(112,94.08)	(97,13.06)
Ice Creams	73,53.56	64,65.03	(82,96.27)	(65,03.30)
Exports	647,60.36	628,71.63	(217,65.68)	(180,15.41)
Other Operations	39,26.70	132,07.03	(33,76.56)	(68,64.52)
Total	3445,20.21	3625,73.42	(2918,41.17)	(2553,62.39)
Unallocated Corporate Assets / Liabilities	3154,20.00	3792,19.10	(1375,36.45)	(2771,59.18)
Total Assets / Liabilities	6599,40.21	7417,92.52	(4293,77.62)	(5325,21.57)

	Capital Expenditure		Depreciation		Non – Cash Expenses other than Depreciation	
	Year 2005	Year 2004	Year 2005	Year 2004	Year 2005	Year 2004
Soaps and Detergents	73,69.31	134,98.63	54,15.23	52,30.15	3,96.33	4,34.13
Personal Products	29,14.61	134,48.39	21,78.70	16,29.88	3,48.93	12,30.24
Beverages	4,40.15	7,45.85	6,14.34	6,06.85	1,13.01	3,71.94
Foods	1,99.26	1,16.56	1,70.19	1,89.15	31.19	2,84.37
Ice Creams	1,77.50	85.46	6,32.96	6,23.08	14.47	42.75
Exports	16,52.80	22,04.47	11,68.00	13,92.20	34,08.10	4,96.13
Other Operations	10.84	2,53.90	4,34.00	6,28.67	91.78	52.70

Segment Information for the Year Ended 31st December, 2005

Information about Secondary Business Segments

	2005 Rs. lakhs	2004 Rs. lakhs
Revenue by Geographical Market		
India	9735,96.13	8705,02.64
Outside India	1457,92.26	1330,26.78
Total	11193,88.39	10035,29.42
Additions to Fixed Assets and Intangible Assets		
India	127,64.47	303,53.26
Outside India	—	—
Total	127,64.47	303,53.26
Carrying Amount of Segment Assets		
India	3429,28.23	3607,47.95
Outside India	15,91.98	18,25.47
Total	3445,20.21	3625,73.42

Notes :

1. Business Segments

The Company has considered business segment as the primary segment for disclosure. The products included in each of the reported domestic business segments are as follows :

- **Soaps and Detergents** include soaps, detergent bars, detergent powders, detergent liquids, scourers, etc.
- **Personal Products** include products in the categories of Oral Care, Skin Care (excluding soaps), Hair Care, Deodorants, Talcum Powder, Colour Cosmetics, etc.
- **Beverages** include tea and coffee.
- **Foods** include Oils and Fats, Branded Staples (Atta, Salt, etc.), Culinary Products (tomato based products, fruit based products, soups, etc.)
- **Ice Creams** include Ice Creams and Frozen Desserts.
- **Others** include Plantations, Chemicals, Agri seeds, Property Development, Water business, Ayush services etc.

Segment Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable. In addition, the Company's Exports business segment includes sales of Marine Products, Leather Products, Castor, etc. as well as sales of Soaps and Detergents, Personal Products, Beverages and Foods, etc. by the Exports Division.

The above business segments have been identified considering :

- a) the nature of products and services
- b) the differing risks and returns
- c) the organisation structure, and
- d) the internal financial reporting systems

Plantation business is excluded from Other segment pursuant to the Scheme of arrangement for demerger of the Doom Dooma and TEI plantation divisions of the Company to its subsidiaries with effect from 1st April, 2005.

Assets and Liabilities also includes assets and liabilities of merged subsidiaries pursuant to the scheme of amalgamation. (Refer note 14(i) to the Profit and Loss account).

Non cash expenses of export segment includes impairment of fixed assets. (Refer note 13(vii) to the Profit and Loss account).

2. Geographical Segments

The geographical segments considered for disclosure are as follows :

- Sales within India includes sales to customers located within India.
- Sales outside India includes sales to customers located outside India.

	2005 Rs. lakhs	2004 Rs. lakhs
3. Revenue comprise		
Sales	11060,54.62	9926,94.64
Income from services rendered (included in Other Income)	131,39.86	106,76.82
Income from property development activity (included in Other Income)	1,93.91	1,57.96
	11193,88.39	10035,29.42

4. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Related Party Disclosures

A. Enterprises where control exists

(i) Holding Company :

Unilever PLC

(ii) Subsidiaries :

Lipton India Exports Ltd. (upto 31st December, 2004)
[Refer Note 14(i) of Notes to Profit and Loss Account]
Unilever India Exports Limited (formerly Indexport Ltd.)
Bon Ltd.
Unilever Nepal Limited (formerly Nepal Lever Ltd.)
Lever India Exports Ltd. (upto 31st March, 2005) [Refer
Note 14(i) of Notes to Profit and Loss Account]
Merryweather Food Products Ltd. (upto
31st December, 2004) [Refer Note 14(i) of Notes to
Profit and Loss Account]
International Fisheries Ltd. (upto 31st December,
2004) [Refer Note 14(i) of Notes to Profit and Loss
Account]
Modern Food Industries (India) Ltd.
Doom Dooma Tea Company Limited (formerly
Daverashola Tea Company Ltd.)
Pond's Exports Ltd.
Tea Estates India Limited (formerly Thiashola Tea
Company Ltd.)
Unilever India Shared Services Limited (formerly
Indigo Lever Shared Services Ltd.)
Rossell Industries Ltd. (upto April, 2005)
TOC Disinfectants Limited (upto 31st March, 2005)
[Refer Note 14(i) of Notes to Profit and Loss Account]
Modern Food and Nutrition Industries Ltd.
Levers Associated Trust Ltd.
Levindra Trust Ltd.
Hindlever Trust Ltd.
Hindustan Kwaliti Walls Foods Private Limited (from
16th March, 2005)

B. Other Related Parties with whom the Company had transactions, etc.

(i) Fellow Subsidiaries :

Brooke Bond Assam Estates Ltd.
Brooke Bond Group Ltd.
Brooke Bond South India Estates Ltd.
Lever Faberge UK
Unilever U.K. Central Resources Ltd.
Unilever Overseas Holdings Ltd.
Unilever Australia Ltd.
Lever Brothers Bangladesh Ltd.
Unilever Canada
Unilever Cote d'Ivoire
Unilever Ghana Ltd.
Unilever Kenya Ltd.
Unilever New Zealand Ltd.
Lever Brothers Pakistan Ltd.
Unilever Singapore Pte Ltd.
Unilever Foods Espana, S.A - Division Frigo
Unilever South Africa (Pty.) Ltd.
Unilever Ceylon Ltd.
Unilever Overseas Holdings AG
Lever Brothers West Indies Ltd.
Unilever Research Laboratory, Port Sunlight
Unilever Research Laboratory, Colworth House
BB Kenya Group
Unilever N.V.
Unilever Overseas Holdings B.V.
Unilever Brasil Ltda.
Lever Chile S.A.
Unilex Cameroon S.A.
Unilever France S.A.
Unilever International Paris
Unilever Deutschland GmbH
Lever Faberge Deutschland GmbH
Unilever Hong Kong Ltd.
BBL Japan K.K.
Nippon Lever K.K.

Fellow Subsidiaries : (Contd.)

Sagit SPA, Italy
Unilever Ethiopia
Unilever Philippines (Prc), Inc.
PT Unilever Indonesia TBK
Unilever Thai Trading Ltd.
Unilever Sanayi ve Ticaret Turk A.S.
Unilever Home & Personal Care USA
Lever Egypt SAE
Lipton Division, Canada
Lever Arabia Ltd.
Lever Brothers Nigeria Ltd.
Lipton Soft Drinks (Ireland)
Lever Israel
Elida P/S, Vietnam
Unilever CR, Czech Republic
Unilever Polska
Lever International Marine Supplies (LIMS) BV
Unilever Gulf Free Zone Establishment, Arabia
Unilever (China) Limited
Unilever South Central Europe
Unilever Baltic LLC
Unilever Levant, Lebanon
Unilever Tuketim Unrunleri Sat Pazarlama Ticaret A.S.
Unilever Best Foods, Vietnam
Unilever SNG, Russia
Unilever Taiwan Ltd.
Unilever Ukraine
Unilever Tuketim Mersin Serbest Bolge Subesi, Turkey
Towells Lever LLC, Arabia
Binzagr Lever Limited, Arabia
Hind Lever Chemicals Ltd. (Also an Associate)
(Upto 31st May, 2004)
Unilever Industries Private Limited
Digital Securities Private Limited
Lever Faberge France
Unilever Tanzania Ltd.
Unilever Cambodia Ltd.
Lever Faberge Belgium
Unilever Maghreb Export SA, Tunisia
Unilever UK & CN Holdings, UK
Lipton Ltd. - UK
Unilever (Malaysia) Holdings Sdn Berhad
Lever Ponds Division, Canada
Europalma International Insurance Services B.V.
Lipton US Group
Lever Faberge Italia SPA
Unilever United States Inc.
Hefei Lever Detergents Co. Ltd., China
Unilever Korea
Unilever Vietnam
Unilever Canada - Foods
Unilever Algeria
Unilever Nigeria
Lipton Ltd. (Head Office) / Lipton Tea Supply Ltd.
Unilever Market Development SA
Lipton Kenya Brooke Bond
Unilever Schweiz GmbH HPC
Unilever Algeria
Unilever Magyarorszag Kft
Societe Des Produits Chimiques du Niger
Unilever Czech Republic
Bahrain Technical & Trading Co. W.L.L
Unilever Bestfoods Benelux B.V. Netherlands
Bestfoods-Germany
Bestfoods Nordic AS (Denmark)
Unilever Bestfoods - Ireland
Frozen Fish International GmbH, Germany
Unilever Nigeria
Unilever Russia
Lever Brothers Zimbabwe
Unilever South East Africa Zamibia

Other Related parties with whom the Company had transaction etc.

(ii) Joint Ventures	:	Kimberly Clark Lever Pvt. Ltd. Quest International India Ltd.
(iii) Associate	:	Vashisti Detergents Ltd.
(iv) Key Management Personnel	:	M.S. Banga (upto June, 2005) H. Manwani (from April, 2005) M.K. Sharma A.S. Abhiraman A. Adhikari S.K. Dhall (upto March, 2005) G. Kapur (upto July, 2004) A.K. Mathur J.H. Mehta (upto March, 2005) S. Ravindranath D. Sehgal D. Sundaram A. Weijburg (upto April, 2004)
(v) Employees' Benefit Plans where there is significant influence	:	Hindustan Lever Gratuity Fund The Union Provident Fund The Hind Lever Provident Fund The Hind Lever Pension Fund Hindustan Lever Limited Employees Superannuation Fund

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2005

		2005 Rs. lakhs	2004 Rs. lakhs
(i) Holding Company	:		
	Dividend paid	397,40.34	437,14.37
	Royalty paid	62,11.45	51,09.69
	Interest on 9% Debentures	11.94	42,91.96
	Income from services rendered	121,21.33	88,25.03
	Outstanding balances :		
	- Receivables at the year end	6,91.75	9,80.83
	- Debenture Interest payable	—	21,51.69
	- 9% Debentures	—	476,88.41
(ii) Subsidiaries *	:		
	Sale of finished goods / raw materials etc.	43,72.47	42,03.24
	Sale of fixed assets	4,78.13	—
	Sale of investments	17,59.42	85,49.74
	Interest received on sale of investments	—	1,40.45
	Royalty received	58.99	4,24.18
	Expenses shared by subsidiary companies	7,86.38	12,93.87
	Dividend received	27,41.40	34,15.35
	Interest received	10,03.47	4,37.67
	Processing charges received	—	29.92
	Rent received	83.30	61.80
	Processing charges paid	5,40.51	18.48
	Purchase of Fixed Assets	2,17.60	0.92
	Purchase of goods	16,51.15	51,27.46
	Purchase of investments	17,48.39	112,17.94
	Interest paid on purchase of investments	—	1,68.23
	Rent paid	26.59	—
	Investment in equity shares	10,00.00	9,60.01
	Deposits - Outstanding receivable at the year end	16,57.00	16,57.00
	Advances and loans :		
	- Receivables at the year end	17,68.00	59,97.14
	- Payables at the year end	2,15.67	16.25
	- Provision on receivables	—	3,00.00
	- Inter corporate deposits :		
	- Advanced during the year	38,71.38	14,00.00
	- Repayments during the year	4,00.00	71,70.01

* For transactions with subsidiaries relating to Mergers and Demergers refer Notes 14(i) and 14(ii) of Notes to the Profit and Loss Account.

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2005 (Contd...)

		2005	2004
		Rs. lakhs	Rs. lakhs
(iii) Fellow Subsidiaries	:	653,67.54	527,35.99
	Sale of finished goods / raw materials etc.		
	Sale of fixed assets	—	4.50
	Sale of investments	—	185,93.97
	Interest received on sale of investments	—	4,44.08
	Royalty received	—	63.42
	Rent received	1,10.00	1,10.00
	Income from services rendered	9,08.53	17,11.87
	Expenses shared by a fellow subsidiary	6.00	6.00
	Processing charges paid	—	18,72.92
	Purchase of goods	48,18.84	70,55.93
	Purchase of investments	—	169,88.85
	Interest paid on purchase of investments	—	3,54.53
	Dividend paid	170,02.14	187,02.35
	Royalty paid	1,71.77	1,55.00
	Interest on 9% Debentures	5.11	18,36.23
	9% Debentures Outstanding	—	204,02.56
	Advances and loans :		
	- Receivables	159,95.05	132,79.09
	- Payables	8,57.42	12,62.01
	- Debenture interest payable	—	9,20.56
(iv) Joint Ventures	:	121,41.28	97,61.40
	Purchase of goods		
	Sale of finished goods / raw materials etc.	—	2.96
	Other income	1,43.86	1,66.86
	Advances and loans :		
	- Receivables	—	20.59
	- Payables	86.11	59.95
(v) Associate	:	9,00.46	14,60.85
	Processing charges paid		
	Outstanding Payable at the year end	—	7.11
	Outstanding receivable at the year end	19.27	—
	Sale of goods	4,83.50	3,97.57
	Purchase of goods	14,71.47	5,66.12
(vi) Key Management Personnel	:	8,45.83	12,40.69
	Remuneration		
	Rent Paid	59.07	64.79
	Dividend Paid	9.24	8.49
	Interest on 9% Debentures	0.01	0.70
	9% Debentures Outstanding	—	7.47
	Debenture Interest Payable	—	0.34
	Loans - Outstanding at the year end	0.10	0.10
	- Advanced during the year	—	—
	- Repayments (including interest) during the year	—	27.20
(vii) Employees' Benefit Plans where there is significant influence	:	24,64.81	39,85.07
	Contributions during the year		
	Outstanding payables at the year end	1,02.35	—
	Outstanding receivables at the year end	6,56.85	16,94.59

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2005 (Contd...)

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

	2005 Rs. lakhs	2004 Rs. lakhs
Sale of finished goods / raw materials etc.		
Unilever Gulf Free Zone Establishment	279,88.53	216,53.94
Sale of fixed assets		
Lever Brothers Bangladesh Ltd.	—	4.50
Bon Limited	3,93.63	—
Sale of investments		
Lever India Exports Ltd.	17,59.42	67,44.67
Hind Lever Chemicals Ltd.	—	173,90.05
Interest received on sale of investments		
Unilever India Exports Limited (formerly Indexport Ltd.)	—	59.30
Lever India Exports Ltd.	—	77.19
Hind Lever Chemicals Ltd.	—	4,04.47
Royalty received		
Unilever India Exports Limited (formerly Indexport Ltd.)	58.99	4,24.18
Lever Egypt SAE	—	63.42
Expenses shared by subsidiary companies / fellow subsidiary companies		
Unilever India Exports Limited (formerly Indexport Ltd.)	6,62.77	10,34.46
Pond's Exports Ltd.	99.11	—
Dividend received		
Lever India Exports Ltd.	9,00.00	29,55.00
Unilever Nepal Limited (formerly Nepal Lever Ltd.)	18,41.40	4,60.35
Interest received		
Modern Food Industries (India) Ltd.	3,77.27	1,93.67
Rossell Industries Ltd.	—	1,34.25
Pond's Exports Ltd.	—	70.72
Doom Dooma Tea Company Limited (formerly Daverashola Tea Company Ltd.)	2,63.17	—
Tea Estates India Limited (formerly Thiashola Tea Company Ltd.)	2,50.03	—
Processing charges received		
Unilever India Exports Limited (formerly Indexport Ltd.)	—	29.92
Rent received		
Unilever Industries Pvt. Ltd.	1,10.00	1,10.00
Unilever India Exports Limited (formerly Indexport Ltd.)	54.00	54.00
Bon Limited	28.55	—
Processing charges paid		
Bon Limited	5,24.27	—
Vashisti Detergents Ltd.	9,00.46	14,60.85
Hind Lever Chemicals Ltd.	—	18,72.92
Purchase of fixed assets		
Doom Dooma Tea Company Limited (formerly Daverashola Tea Company Ltd.)	2,17.60	—
Merryweather Food Products Ltd.	—	0.92
Purchase of goods		
TOC Disinfectants Ltd.	—	23,12.53
Kimberly Clark Lever Pvt. Ltd.	106,36.34	81,75.28
Lipton Ltd.	25,59.66	28,08.59
Purchase of investments		
Lever India Exports Ltd.	—	72,30.23
Tea Estates India Limited (formerly Thiashola Tea Company Ltd.)	17,48.39	—
Hind Lever Chemicals Ltd.	—	133,64.05
Unilever Industries Pvt. Ltd.	—	29,58.31
Interest paid on purchase of investments		
Hind Lever Chemicals Ltd.	—	3,16.65
Lever India Exports Ltd.	—	1,11.95
Rent paid		
M.S. Banga	9.46	18.92
M.K. Sharma	22.50	22.50
Bon Limited	26.59	—
Investment in equity shares		
Pond's Exports Ltd.	—	9,60.01
Bon Limited	9,95.00	—

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2005 (Contd...)

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

	2005 Rs. lakhs	2004 Rs. lakhs
Deposits outstanding receivable at the year end		
Unilever India Exports Limited (formerly Indexport Ltd.)	16,57.00	16,57.00
Repayments (including interest) during the year		
M.K. Sharma	—	26.92
Inter corporate deposits - advanced during the year		
Modern Food Industries (India) Ltd.	23,80.00	8,00.00
Hindustan Kwaliti Walls Foods Private Limited	5,61.38	—
Unilever India Exports Limited (formerly Indexport Ltd.)	—	2,00.00
Indigo Lever Shared Services Ltd.	—	4,00.00
Inter corporate deposits - repayments during the year		
Modern Food Industries (India) Ltd.	2,00.00	57,60.00
Doom Dooma Tea Company Limited (formerly Daverashola Tea Company Ltd.)	2,00.00	—
Pond's Exports Ltd.	—	9,60.01
Other income		
Kimberly Clark Lever Pvt. Ltd.	1,43.86	1,66.86
Dividend paid		
Unilever PLC	397,40.34	437,14.37
Royalty paid		
Unilever PLC	62,11.45	51,09.69
Interest on 9% Debentures		
Unilever PLC	11.94	42,91.96
9% Debentures outstanding		
Unilever PLC	—	476,88.41
Outstanding balances - payables at the year end		
Lever Faberge Deutschland GmbH	—	2,06.12
Lipton Ltd.	3,55.71	3,49.46
Unilever U.K. Central Resources Ltd.	1,36.10	2,08.03
Unilever India Exports Limited (formely Indexport Ltd.)	1,97.35	—
Digital Securities Private Limited	1,61.19	—
Unilever N.V.	—	2,02.82
Outstanding balances - receivables at the year end		
Unilever Gulf Free Zone Establishment	55,13.59	42,33.23
Outstanding balances - provision on receivables		
International Fisheries Ltd.	—	3,00.00
Income from services rendered		
Unilever PLC	121,21.33	88,25.03
Unilever Industries Pvt. Ltd.	—	15,45.98
Outstanding balances - debenture interest payable		
Unilever PLC	—	21,51.69
Remuneration		
M.K. Sharma	1,69.59	1,64.01
A. Adhikari	1,17.29	1,31.41
S. Ravindranath	1,27.74	1,41.61
D. Sundaram	1,40.03	1,41.18
D. Sehgal	88.97	—
Contributions during the year		
The Union Provident Fund	4,57.02	5,52.70
Hindustan Lever Gratuity Fund	—	10,14.97
The Hind Lever Pension Fund	10,48.98	12,53.61
Hind Lever Provident Fund	9,58.81	10,23.44

Statement Pursuant to Part IV of the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS		IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)	
Registration No.	11-2030	Turnover (Total Income)	113653327
State Code	11	Total Expenditure	(97608613)
Balance Sheet Date	31.12.2005	Profit/(Loss) Before Tax and Exceptional Items	16044714
II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)		Profit/(Loss) After Tax and Exceptional Items	14081044
Public Issue	NIL	Earnings Per Share (in Rs.)	6.40
Rights Issue	NIL	Dividend Rate (%)	500
Bonus Issue	NIL		
Private Placement	NIL		
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)		V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)	
Total Liabilities	65994022	Item Code No. (ITC Code)	34.01
Total Assets	65994022	Product Description	SOAP
SOURCES OF FUNDS		Item Code No. (ITC Code)	34.02
Paid-up Capital	2201244	Product Description	DETERGENTS
Reserves and Surplus	20855016	Item Code No. (ITC Code)	09.02
Secured Loans	244996	Product Description	TEA
Unsecured Loans	324411		
APPLICATION OF FUNDS			
Net Fixed Assets	14835303		
Investments	20141984		
Net Current Assets	(13553066)		
Deferred Tax	2201446		
Miscellaneous Expenditure	NIL		
Accumulated Losses	NIL		

Auditors' Report to the Members of Hindustan Lever Limited

1. We have audited the attached Balance Sheet of Hindustan Lever Limited as at 31st December, 2005 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st December, 2005, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Sharmila A. Karve
Partner
Membership No. 43229
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai, 14th February, 2006

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Hindustan Lever Limited on the Financial Statements for the year ended 31st December, 2005]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets are physically verified by the management according to a phased programme designed to cover all the locations once in two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, fixed assets at certain locations were physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) Inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding Rs. five lakhs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts

and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, service tax and cess which have not been deposited on account of any dispute. The particulars of excise duty, sales tax, customs duty and income-tax as at 31st December, 2005 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount under dispute not yet deposited Rs. Lakhs	Periods to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	41,78.61	1991 to 2005	Appellate Authority – upto Commissioner's level
		21,25.97	1983 to 1986 1989 to 1991 1994 to 2001	Tribunal
		61.38	1989	High Court
		22.54	1979 to 1983	Supreme Court
Central Sales Tax Act and Local Sales Tax Acts (including works contract)	Sales tax including interest and penalty, as applicable	74,32.01	1983 to 2005	Appellate Authority – upto Commissioner's level
		39,25.95	1982 to 2003	Tribunal
		49,38.72	1976, 1977 1982 to 1985 1988 to 1995 1997 to 2005	High Courts
		1,86.63	1999 to 2004	Supreme Court
Customs Act, 1962	Customs duty including interest and penalty, as applicable	7,32.46	1992 to 2001	Appellate Authority – upto Commissioner's level
		7.44	1994	Tribunal
Income-tax Act, 1961	Income tax including interest and penalty, as applicable	4,38.79	1979-80 1995-96	Appellate Authority – upto Commissioner's level
		1,07.59	1985-86 1991-92	Tribunal
		31.55	1988-89	High Court

10. The Company has no accumulated losses as at 31st December, 2005 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. During the year, the Company redeemed the 9% secured redeemable bonus debentures of Rs. 6 each amounting to Rs. 1320,74.63 lakhs which were issued in 2003 pursuant to the Scheme of Arrangement between the Company and its members. There are no debentures outstanding as at the year-end.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Sharmila A. Karve
Partner
 Membership No. 43229
 For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 14th February, 2006

Additional Information : Economic Value Added (EVA)

What is EVA?

*Traditional approaches to measuring "Shareholder's Value Creation" have used parameters such as earnings capitalisation, market capitalisation and present value of estimated future cash flows. Extensive equity research has now established that it is not earnings *per se*, but VALUE that is important. A new measure called "Economic Value Added" (EVA) is increasingly being applied to understand and evaluate financial performance.

* **EVA** = **Net Operating Profit after Taxes (NOPAT) – Cost of Capital Employed (COCE)**, where,
 NOPAT = Profits after depreciation and taxes but before interest costs. NOPAT thus represents the total pool of profits available on an ungeared basis to provide a return to lenders and shareholders, and
 COCE = Weighted Average Cost of Capital (WACC) x Average Capital Employed

* Cost of debt is taken at the effective rate of interest applicable to an "AAA" rated company like HLL with an appropriate mix of short, medium and long term debt, net of taxes. We have considered a pre tax rate of 5.10% for 2005 (8.2% for 2004) after taking into account the trends over the years and market situations.

* Cost of Equity is the return expected by the investors to compensate them for the variability in returns caused by fluctuating earnings and share prices.

Cost of Equity = Risk free return equivalent to yield on long term Government Bonds (taken at 6.95% for 2005)
 (+)

Market risk premium (taken at 9%) (x) Beta variant for the Company, (taken at 0.95) where Beta is a relative measure of risk associated with the Company's shares as against the market as a whole.

Thus HLL's cost of equity = 6.95% + 9% (x) 0.95 = 15.50%

What does EVA show?

EVA is residual income after charging the Company for the cost of capital provided by lenders and shareholders. It represents the value added to the shareholders by generating operating profits in excess of the cost of capital employed in the business.

When will EVA increase?

EVA will increase if :

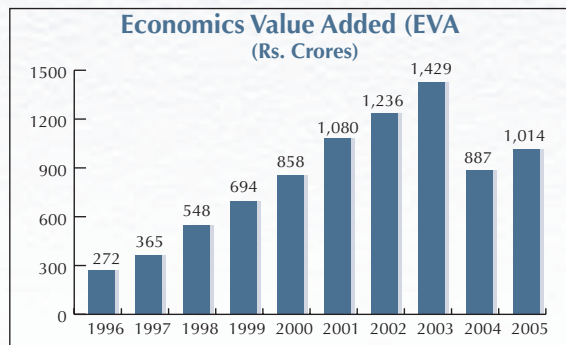
- Operating profits can be made to grow without employing more capital, i.e. greater efficiency.
- Additional capital is invested in projects that return more than the cost of obtaining new capital, i.e. profitable growth.
- Capital is curtailed in activities that do not cover the cost of capital, i.e. liquidate unproductive capital.

EVA in practice at Hindustan Lever Ltd.

In Hindustan Lever, the goal of sustainable long term value creation for our shareholders is well understood by all the business groups. Measures to evaluate business performance and to set targets take into account this concept of value creation.

EVA Trends : 1996-2005 (Unaudited)

(Rs. crores)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Cost of Capital Employed (COCE)										
1. Average Debt	156	160	165	162	93	50	45	881	1588	360
2. Average Equity	815	1127	1487	1908	2296	2766	3351	2899	2116	2200
3. Average Capital Employed : (1) + (2)	971	1287	1652	2070	2389	2816	3396	3780	3704	2560
4. Cost of Debt, post-tax %	7.88	8.82	9.10	8.61	8.46	7.72	6.45	4.88	5.19	3.38
5. Cost of Equity %	19.70	19.70	19.70	19.70	19.70	16.70	14.40	12.95	14.77	15.50
6. Weighted Average Cost of Capital % (WACC)	17.80	18.34	18.64	18.83	19.27	16.54	14.30	11.07	10.66	13.80
7. COCE : (3) x (6)	173	236	308	390	460	466	486	418	395	353
Economic Value Added (EVA)										
8. Profit after tax, before exceptional items	413	580	837	1070	1310	1541	1716	1804	1199	1355
9. Add : Interest, after taxes	32	21	19	14	8	5	6	43	82	12
10. Net Operating Profits After Taxes (NOPAT)	445	601	856	1084	1318	1546	1722	1847	1281	1367
11. COCE, as per (7) above	(173)	(236)	(308)	(390)	(460)	(466)	(486)	(418)	(395)	(353)
12. EVA : (10) - (11)	272	365	548	694	858	1080	1236	1429	887	1014



Significant Accounting Policies

Basis for preparation of accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting Standards issued by the Institute of Chartered Accountants of India.

Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes and excise duties (on goods manufactured and outsourced) but include, where applicable, export incentives such as duty drawbacks and premiums on sale of import licences. It does not include inter-divisional transfers.

Income from Property Development Activity is recognised in terms of arrangements with developers, where applicable.

Incomes from services rendered are booked based on agreements/arrangements with the concerned parties.

Interest on investments are booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend incomes on investments are accounted for when the right to receive the payment is established.

Expenditure

Expenses are accounted for on accrual basis and provision is made for all known losses and liabilities. Advertising expenses are charged against the profit of the year to which the activities relate.

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

Goodwill and other Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortisation. Goodwill and other Intangible assets (except computer software) are amortised over the assets useful life not exceeding 10 years. Computer software is amortised over a period of 5 years on the straight line method.

Goodwill arising on consolidation in accordance with AS-21 is amortised over 4 years at quarterly rests commencing from the quarter of recognition of goodwill.

Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Fixed Assets

Fixed assets are stated at cost less depreciation except in the case of certain Land and Development, Building and Plant and Machinery of certain plantation businesses, where it is shown at revalued amount. In Tea/Coffee estates, the cost of extension planting of cultivable land including cost of development is capitalised.

Depreciation is provided (except in the case of leasehold land which is being amortised over the period of the lease) on the Straight Line Method (SLM) and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However,

- certain employee perquisite-related assets are depreciated over four to six years, the period of the perquisite scheme
- computers and related assets are depreciated over four years
- certain assets of the cold chain are depreciated over four/seven years
- motor vehicles are depreciated over six years and
- assets of certain subsidiaries are depreciated on the Written Down Value Method (WDV). The difference between the SLM basis and WDV basis is not significant.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable values.

Investments

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments, other than in Associates, are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments. Investments in Associates are accounted for using the equity method.

Interests in Joint Ventures

Interests in Jointly controlled entities (Incorporated Joint Ventures) are accounted for using proportionate consolidation method.

Inventories

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Sundry Debtors and Loans and Advances

Sundry debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

Provisions

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. Provision is not discounted to its present value and is determined based on the best estimate required to settle the obligation at the year end date. These are reviewed at each year end date and adjusted to reflect the best current estimate.

Retirement/Post Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and Family Pension Fund are charged to the profit and loss account as incurred. The Companies also provide retirement / post-retirement benefits in the form of gratuity, pensions, leave encashment and medical. Such benefits are provided for based on valuations, as at the balance sheet date, made by independent actuaries.

Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Foreign Currency Translations

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

Segment Reporting

The accounting policies adopted for segment reporting are in line with the accounting policies adopted in consolidated financial statements with the following additional policies being considered for segment reporting:

- a) Inter segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.
- b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".

Profit and Loss Account for the year ended 31st December, 2005

Figures in brackets represent deductions

	Notes	2005 Rs. lakhs	2004 Rs. lakhs
INCOME			
Sales	1	11565,82.60	10598,20.01
Other income	2	313,37.87	303,61.07
Total		11879,20.47	10901,81.08
EXPENDITURE			
Operating expenses	3-5	(10129,46.14)	(9108,06.71)
Depreciation		(138,37.52)	(195,67.95)
Interest	6	(24,20.56)	(136,24.94)
Total		(10292,04.22)	(9439,99.60)
PROFIT BEFORE TAXATION, EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES' PROFIT		1587,16.25	1461,81.48
Taxation for the year - current tax	9	(237,61.44)	(284,23.66)
- fringe benefit tax		(31,34.29)	—
- deferred tax		(41,39.52)	(51,06.50)
- adjustments of previous years (net)	20	46,01.60	13,99.33
PROFIT AFTER TAXATION, BEFORE EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES' PROFIT		1322,82.60	1140,50.65
Exceptional items (net of tax)	13	37,39.84	60,80.71
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE SHARE OF ASSOCIATES' PROFIT		1360,22.44	1201,31.36
Share of Associates' net profit		(1,64.22)	4,89.32
PROFIT BEFORE MINORITY INTERESTS		1358,58.22	1206,20.68
Minority Interests		(2,65.71)	2,19.26
NET PROFIT		1355,92.51	1208,39.94
Balance brought forward		498,44.62	670,46.49
Available for distribution		1854,37.13	1878,86.43
Dividends :			
On equity shares :			
Interim - Rs. 2.50 per share - declared on 30th July, 2005		(550,31.09)	(550,31.09)
Final - Rs. 2.50 per share proposed		(550,31.09)	(550,31.09)
Tax on distributed profits (2005 - includes differential Rs. 5,26.23 lakhs on final dividend for 2004)		(159,62.46)	(150,54.63)
Transfer to General Reserve		(142,00.00)	(129,25.00)
Balance carried forward		452,12.49	498,44.62
Earnings Per Share (Rs.) - Basic & Diluted (Face value of Re.1 each)	17	6.16	5.49

For notes, statements, additional information, segment information,
related party disclosures and accounting policies
See pages : 81, 85, 86 and 99 to 105

In terms of our report of even date

Sharmila A. Karve
Partner
Membership No. 43229

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 14th February, 2006

Signatures to pages : 81, 82, 85, 86
and 99 to 105

M.K. Sharma	Vice Chairman
D. Sundaram	Finance Director
Raju Thomas	Vice President - Finance
Ashok Gupta	Company Secretary

Mumbai : 14th February, 2006

Balance Sheet as at 31st December, 2005

Figures in brackets represent deductions

	Schedule	2005 Rs. lakhs	2004 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	220,12.44	220,12.44
Reserves and surplus	2	1949,36.38	1917,89.29
		2169,48.82	2138,01.73
Minority Interests		3,93.49	10,65.30
Loan funds			
Secured loans	3	41,23.02	1467,38.09
Unsecured loans	4	77,41.78	136,87.32
		118,64.80	1604,25.41
		2292,07.11	3752,92.44
APPLICATION OF FUNDS			
Fixed assets			
Gross block		2705,06.97	2825,15.48
Depreciation and impairment loss		(1191,81.67)	(1219,55.92)
Net block	5	1513,25.30	1605,59.56
Capital work-in-progress		107,25.32	104,08.76
		1620,50.62	1709,68.32
Investments	6	1821,60.30	2200,15.28
Deferred Tax			
Deferred Tax Assets	7	338,27.75	374,79.47
Deferred Tax Liabilities	8	(128,71.82)	(147,70.98)
		209,55.93	227,08.49
Current assets, loans and advances			
Inventories	9	1391,76.60	1558,82.76
Sundry debtors	10	579,65.96	569,40.98
Cash and bank balances	11	419,84.64	781,52.79
Other current assets	12	20,35.96	51,04.60
Loans and advances	13	497,79.76	567,27.64
		2909,42.92	3528,08.77
Current liabilities and provisions			
Liabilities	14	(3081,30.30)	(2746,08.99)
Provisions	15	(1187,72.36)	(1165,99.43)
		(4269,02.66)	(3912,08.42)
Net current assets		(1359,59.74)	(383,99.65)
		2292,07.11	3752,92.44

For schedules, contingent liabilities, additional information, segment information, related party disclosures and accounting policies
See pages : 81, 87 to 97 and 99 to 105

In terms of our report of even date

Sharmila A. Karve
Partner
Membership No. 43229

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 14th February, 2006

Signatures to pages : 81, 83, 87 to 97
and 99 to 105

M.K. Sharma
D. Sundaram
Raju Thomas
Ashok Gupta

Vice Chairman
Finance Director
Vice President - Finance
Company Secretary

Mumbai : 14th February, 2006

Cash Flow Statement for the year ended 31st December, 2005

		2005 Rs. lakhs	2004 Rs. lakhs
A. Cash Flow from Operating Activities :			
Profit before taxation and exceptional items		1587,16.25	1461,81.48
Adjustments for :			
Depreciation	138,37.52		195,67.95
Foreign Exchange	—		(1.60)
Loss/(Gain) on sale of fixed assets held for disposal	—		(18.96)
Surplus on disposal of investments (net)	(28,01.91)		(24,87.72)
Provision / (Reversal of provision) for diminution in value of investments and excess of cost over fair value of current investments (net)	(1,10.46)		(1,22.13)
Deficit/(Surplus) on fixed assets sold, scrapped, etc. (net)	(4,71.85)		24,44.59
Reversal of provision for losses on disposal of fixed assets	(1,92.80)		(37,09.74)
Interest income	(48,44.63)		(96,55.60)
Dividend income	(54,10.86)		(29,97.94)
Interest expenditure	24,20.56		136,24.94
		24,25.57	166,43.79
Operating Profit before Working Capital Changes		1611,41.82	1628,25.27
Adjustments for :			
Trade and Other Receivables	55,86.86		32,52.96
Inventories	165,63.49		(81,52.19)
Trade Payables and Other Liabilities	354,88.34		(55,57.37)
		576,38.69	(104,56.60)
Cash generated from operations		2187,80.51	1523,68.67
Taxes paid (including fringe benefit tax) (net of refunds)		(193,47.34)	(251,01.93)
Cash flow before exceptional items		1994,33.17	1272,66.74
Compensation under Voluntary Separation Schemes		(30,61.07)	(43,86.29)
Amount Paid for termination of sourcing agreement		(5,00.00)	—
Consideration received on sale of a long-term investment		50,68.51	—
Payment made in respect of ice cream restructuring included in exceptional items		—	(2,28.75)
Net Cash from Operating Activities	A	2009,40.61	1226,51.70
B. Cash Flow from Investing Activities :			
Purchase of fixed assets	(241,28.40)		(338,49.27)
Sale proceeds of land included in exceptional items	16,20.00		94,85.19
Sale of fixed assets	159,28.56		45,58.30
Capital subsidy received	5.00		4.50
Purchase of investments	(7717,70.37)		(8545,22.53)
Sale of investments	8102,02.96		8873,32.65
Consideration received on disposal of a subsidiary company	44,46.18		—
Consideration received on sale of Functionalised Bio-polymers business	4,15.00		—
Interest received	73,19.51		107,24.31
Dividend received	54,10.86		29,97.94
Net Cash used in Investing Activities	B	494,49.30	267,31.09
C. Cash Flow from Financing Activities :			
Dividends paid	(1100,15.32)		(1209,67.97)
Tax on distributed profits	(154,36.23)		(163,23.78)
Interest paid	(81,69.51)		(131,54.07)
Bank overdrafts (net)	(2,67.34)		17,60.90
Proceeds from borrowings	569,93.15		781,09.25
Repayment of debentures	(1320,74.63)		—
Repayments of borrowings	(775,88.63)		(898,95.60)
Net Cash used in Financing Activities	C	(2865,58.50)	(1604,71.27)
Net Increase / (Decrease) in Cash and Cash equivalents..... (A+B+C)		(361,68.59)	(110,88.48)
Cash and Cash equivalents as at 1st January (Opening Balance)		781,53.23	892,41.71
Cash and Cash equivalents as at 31st December (Closing Balance)		419,84.64	781,53.23

For Notes

See page : 98

In terms of our report of even date

Sharmila A. Karve

Partner

Membership No. 43229

For and on behalf of

LOVELOCK & LEWES

Chartered Accountants

Mumbai : 14th February, 2006

Signatures to pages : 84 and 98

M. K. Sharma

D. Sundaram

Raju Thomas

Ashok Gupta

Mumbai : 14th February, 2006

Vice Chairman

Finance Director

Vice President - Finance

Company Secretary

Notes to Profit and Loss Account

	2005 Rs. lakhs	2004 Rs. lakhs
INCOME		
1. Sales	12375,73.52	11475,30.42
Less : Excise duty	(918,66.74)	(969,81.93)
	11457,06.78	10505,48.49
Share of Joint Ventures - Schedule 20 (b)	108,75.82	92,71.52
	11565,82.60	10598,20.01
Sales include duty drawback and licence premium on exports	19,61.66	17,25.80
2. Other income	153,70.25	116,35.75
Income from services rendered	1,93.91	2,98.71
Income from property development activity	24,19.02	40,51.06
Interest income – bank and other accounts (gross)	20,72.63	53,26.06
Interest income – non trade (gross) (Note 7)	19,45.80	11,20.30
Dividend income – trade - long-term (gross)	96.93	27.89
Dividend income – non trade - long-term (gross)	33,59.13	18,47.35
Dividend income – non trade - current (gross)	28,01.91	24,87.72
Surplus on disposal of investments (net) (Note 8)	6,03.16	—
Surplus on fixed assets sold etc.	20,59.49	32,17.14
Miscellaneous income	309,22.23	300,11.98
Share of Joint Ventures - Schedule 20 (b)	4,15.64	3,49.09
	313,37.87	303,61.07
OPERATING EXPENSES		
3. Materials consumed and Purchase of goods	3712,23.70	3351,35.55
Raw materials consumed	983,63.93	832,13.24
Packing materials consumed	1590,34.02	1485,66.64
Purchase of goods		
4. General expenditure	593,41.62	562,79.20
Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	46,21.63	38,17.80
Contribution to provident and other funds	45,51.32	43,83.51
Workmen and staff welfare expenses	153,46.51	166,22.58
Processing charges	65,45.62	62,09.79
Consumption of stores and spare parts	13,46.32	18,05.94
Repairs and maintenance	55,96.72	51,88.02
- Buildings	7,98.74	7,62.29
- Plant	190,28.82	179,85.81
- Others	95,97.15	42,89.29
Power, light, fuel and water	153,08.38	135,20.43
Rent (Note 16)	8,10.07	8,85.52
Rates and taxes	1027,98.28	867,07.65
Insurance	590,41.29	520,14.26
Advertising and sales promotion	9,01.37	12,07.92
Carriage and freight	(6,04.93)	(10,69.01)
Agents' commission and brokerage	132,67.44	122,55.16
Provision / (write back) for doubtful debts and advances (net)	1,31.31	24,28.47
Travelling and motor car expenses	511,43.50	452,78.98
Deficit on fixed assets sold, scrapped, etc.		
Miscellaneous expenses (Note 12)		
5. Stocks	48,95.90	62,12.57
Opening stocks : - Work-in-progress	1,09.07	1,71.50
- Processed chemicals	623,88.02	693,32.69
- Finished goods		
Adjustment to stocks :	—	(82.86)
- As at 18th June, 2004, of Mushroom business		
Closing stocks : - Work-in-progress	(30,98.02)	(48,95.90)
- Processed chemicals	(91.82)	(1,09.07)
- Finished goods	(552,56.60)	(623,88.02)
Excise Duty on Increase / (Decrease) of Finished goods	(33,59.10)	(21,75.04)
Share of Joint Ventures - Schedule 20 (b)	10037,80.26	9035,54.91
	91,65.88	72,51.80
	10129,46.14	9108,06.71
6. Interest paid on bank and other accounts Rs. 23,86.35 lakhs (2004 - Rs. 17,37.61 lakhs), on debentures Rs. 33.00 lakhs (2004 - Rs. 118,86.24 lakhs) and the Share of Joint Ventures Rs. 1.21 lakhs (2004 - Rs. 1.09 lakhs).		
7. Interest income - non trade (gross) comprises of Rs. 16,15.83 lakhs (2004 - Rs. 25,63.91 lakhs) and Rs. 4,56.80 lakhs (2004 - Rs. 27,62.15 lakhs) in respect of long-term and current investments respectively.		
8. Surplus on disposal of investments (net) comprises of :		
- a surplus on disposal of current investments (net) Rs. 27,33.08 lakhs (2004 - Rs. 22,15.40 lakhs)		
- a surplus on disposal of long term investments (net) Rs. 68.83 lakhs (2004 - Rs. 2,72.32 lakhs)		
9. The tax year for the companies incorporated in India being the year ending 31st March, the provision for taxation for the year of these companies is the aggregate of the provision made for the three months ended 31st March, 2005 and the provision based on the figures for the remaining nine months up to 31st December, 2005, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2005 to 31st March, 2006. The tax year for Unilever Nepal Limited (formerly known as Nepal Lever Limited) is the year ending 15th July.		
10. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled/appropriate rates applicable at the year end) debited to the Profit and Loss Account is Rs. 4,75.64 lakhs (2004 - debit of Rs. 8,74.39 lakhs).		
11. Operating expenses include		
Research and Development expenses	49,72.65	37,11.34

Notes to Profit and Loss Account

	2005 Rs. lakhs	2004 Rs. lakhs
12. Miscellaneous expenses :		
i) is net of credit on reversal / write back of provision for estimated losses on disposal of fixed assets rendered surplus Rs. 1,92.80 lakhs (net) (2004 - credit of Rs. 37,09.74 lakhs).		
ii) is net of credit on reversal / write back of provision on diminution in value of long-term investment Rs. 1,17.00 lakhs (2004 - net charge of Rs. 7.02 lakhs)		
iii) include charge in respect of excess of cost over fair value of current investments (net) Rs. 6.54 lakhs [2004 - credit of Rs. 1,29.54 lakhs (net)]		
13. Exceptional Items		
i) Profit arising out of disposal of land	15,90.00	94,85.19
ii) Profit arising out of disposal of a long-term investment	29,04.44	21,37.34
iii) Profit arising out of disposal of a subsidiary company	46,34.29	—
iv) Reduction in Hindustan Lever Limited's liability for retirement and other employee benefits, arising out of decrease in annuity rates announced by Life Insurance Corporation of India, effective December 2004	—	69,10.00
Total exceptional income	91,28.73	185,32.53
v) Provision for impairment of sea food export business assets	(38,43.96)	—
vi) Restructuring costs across businesses comprising :		
a) Provision for estimated loss on fixed assets rendered surplus	—	(18,38.67)
b) Compensation under Voluntary Separation Schemes	(49,80.36)	(75,84.68)
c) Amount paid / payable for termination of sourcing arrangement	(15,00.00)	—
d) Other costs	—	(15,20.00)
vii) Exit costs incurred in relation to discontinued Confectionery business	—	(30,45.00)
viii) Provision for loss arising out of disposal of Mushroom undertaking	—	(3,01.17)
Total exceptional expenditure	(103,24.32)	(142,89.52)
Net	(11,95.59)	42,43.01
Taxation on the above - Credit / (Charge) on current tax	2,28.47	5,07.97
- Credit on deferred tax	23,86.96	13,29.73
One time reduction in tax liability arising from amalgamation of TOC Disinfectants Limited with the Company	23,20.00	—
Total tax credit (net)	49,35.43	18,37.70
Exceptional items (net of tax)	37,39.84	60,80.71
14.		
i) Functionalised Bio-polymers Business (FBP) was sold by Hindustan Lever Limited effective 1st September, 2005.		
ii) Hindustan Lever Limited has transferred the equity shares held in Rossell Industries Limited, to a third party during the year, by virtue of a share purchase agreement.		
iii) In view of the above, the current year's figures are accordingly, not comparable to those of the previous year.		
15. The cost of property development activity including movements in work-in-progress are as under :		
Property Development Activity – Work-in-progress as at 1st January	48.47	88.07
Add : Miscellaneous expenses	6.55	5.07
	55.02	93.14
Less : Property Development Activity – Work-in-progress as at 31st December	48.77	48.47
Cost of property sold, included in miscellaneous expenses	6.25	44.67
16. Rent is net of write back of provision made in earlier years arising out of Supreme Court decision in respect of a legal dispute Rs. Nil lakhs (2004 - Rs. 41,59.85 lakhs).		
17. Earnings Per Share has been computed as under :		
Net Profit (Rs. lakhs)	1355,92.51	1208,39.94
Weighted average number of Equity shares outstanding	2,20,12,43,793	2,20,12,43,793
Earnings Per Share (Rs.) - Basic and Diluted (Face value of Re.1 per share)	6.16	5.49
18. The significant leasing arrangements of the Companies in the Group are in respect of operating leases for premises (residential, office, stores, godown etc.) and computers. These leasing arrangements which are not non-cancellable range between 11 months and 10 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under note 4 to profit and loss account.		
19. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements", Accounting Standard 23 (AS 23) - "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS 27) - "Financial Reporting of Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India. Refer Schedule 20 to the Balance Sheet.		
20. Taxation adjustments of previous years include interest, etc.		
21. During the year, Hindustan Lever Limited has utilised provision made in an earlier year for restructuring of the ice cream business as follows :		
	2005 Rs. lakhs	2004 Rs. lakhs
Fixed assets write off	40.55	—
Raw/Packing materials	—	0.61
Other items	—	2,28.14
	40.55	2,28.75
22. The previous year's figures have been regrouped / restated wherever necessary to conform to this year's classification.		

Schedules to Balance Sheet

		2005 Rs. lakhs	2004 Rs. lakhs
1. CAPITAL			
Authorised			
2,25,00,00,000 equity shares of Re. 1 each		225,00.00	225,00.00
Issued and subscribed			
2,20,12,43,793 equity shares of Re. 1 each fully called and paid up		220,12.44	220,12.44
Of the above shares			
(i) 1,13,48,49,460	Shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 shares of Re. 1 each held by Unilever PLC.		
(ii) 79,19,31,203	Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash.		
(iii) 1,31,68,54,620	Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.		
		220,12.44	220,12.44

Notes :

- Hindustan Lever Ltd. has granted share options under the Company's Employees' Stock Option Scheme and share options outstanding as at 31st December, 2005 are 1,19,32,145 (2004 - 1,06,48,225). Of these 21,74,400 (2004 - 21,99,200) options have vested in 2004, 28,62,905 (2004 - 29,15,285) have vested in 2005, 38,51,990 will vest in 2006 (2004 - 39,59,390), 15,08,350 in 2007 (2004 - 15,74,350) and 15,34,500 in 2008 (2004 - Nil).
- 2,268 equity shares of Re. 1 each are due to be issued to the minority shareholders of International Fisheries Limited and TOC Disinfectants Limited, which merged with Hindustan Lever Ltd. during the year.

				Rs. lakhs
2. RESERVES AND SURPLUS	As at 31st December, 2004	Additions	Deductions	As at 31st December, 2005
CAPITAL RESERVES				
Capital Reserve	4,24.34	—	—	4,24.34
Capital Subsidy	3,30.66	5.00	—	3,35.66
Capital Redemption Reserve	1,15.00	—	—	1,15.00
Share Premium Account	263,26.13	—	—	263,26.13
Revaluation Reserve	27,65.11	—	(e) (26,98.52)	66.59
Other Reserves (c)	2,51.05	—	—	2,51.05
Employee Stock Options (d)	4,09.67	38.37	—	4,48.04
Total Capital Reserves	306,21.96	43.37	(26,98.52)	279,66.81
REVENUE RESERVES				
Export Profit Reserve	12,26.40	—	—	12,26.40
Development Allowance Reserve	26.72	—	—	26.72
General Reserve	1100,69.59	(a) 142,00.00	(f) (37,65.63)	1205,03.96
Total Revenue Reserves	1113,22.71	142,00.00	(37,65.63)	1217,57.08
PROFIT AND LOSS ACCOUNT BALANCE				
	498,44.62	(a) 452,12.49	(b) (498,44.62)	452,12.49
TOTAL RESERVES - 31st December, 2005	1917,89.29	594,55.86	(563,08.77)	(g) 1949,36.38
TOTAL RESERVES - 31st December, 2004	1955,89.31	630,48.80	(668,48.82)	(g) 1917,89.29

(a) Transfer from profit and loss account

(b) Transfer to profit and loss account

(c) Not available for capitalisation / declaration of dividend / share valuation.

(d) In respect of options granted under the Company's stock option scheme, in accordance with guidelines issued by Securities and Exchange Board of India, the accounting value of options (based on market price of the share on the date of the grant of the option) is accounted as deferred employee compensation, which is amortised on a straight line basis over the vesting period. Consequently salaries, wages, bonus, etc. includes Rs.38.37 lakhs (2004 - Rs. 2,03.80 lakhs) being amortisation of deferred employee compensation after adjusting for reversals on account of options lapsed.

				Rs. lakhs
Employee Stock Options	As at 31st December, 2004	Additions	Deductions	As at 31st December, 2005
Employee Stock Options Outstanding	4,48.04	—	—	4,48.04
Less : Deferred Employee Compensation	(38.37)	—	38.37	—
Employee Stock Options	4,09.67	—	38.37	4,48.04

(e) Represents deduction on disposal of a subsidiary.

(f) Includes deduction on disposal of a subsidiary and reversal of goodwill on consolidation, pertaining to a subsidiary, on its amalgamation with Hindustan Lever Ltd.

(g) Including share of Joint Ventures Rs. 21,26.11 lakhs (2004 - Rs. 9,51.20 lakhs).

Schedules to Balance Sheet

3. SECURED LOANS

	2005 Rs. lakhs	2004 Rs. lakhs
9% Secured Redeemable Non-Convertible Debentures of the face value of Rs.6 each Debentures held by : Directors of Hindustan Lever Limited - Rs. Nil lakhs (2004 - Rs. 6.21 lakhs) The Secretary of Hindustan Lever Limited - Rs. Nil lakhs (2004 - Rs. 0.08 lakh)	—	1320,74.63
A	—	1320,74.63
Loans and Advances from Banks :		
- Bank overdrafts	27,59.04	43,69.18
Secured by hypothecation of stocks, book debts, etc.		
- Export Packing Credit	12,38.79	102,94.28
Secured by a pari passu charge on certain current assets.		
B	39,97.83	146,63.46
Total (A+B)	39,97.83	1467,38.09
Share of Joint Ventures - Schedule 20 (b)	1,25.19	—
	41,23.02	1467,38.09

4. UNSECURED LOANS

Short- term loans & advances :		
From Banks		
- Export Packing Credit	28,69.05	—
- Overdrawn book balance on current account	97.67	17,49.10
- Term Loan	44,00.00	60,00.00
Other loans and advances		
- Other than from Banks	3,75.06	59,38.22
(repayable before 31st December, 2005 - Rs. 13.37 lakhs; 2004 - Rs. 4.46 lakhs)		
	77,41.78	136,87.32
Share of Joint Ventures - Schedule 20 (b)	—	—
	77,41.78	136,87.32

5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK				DEPRECIATION					NET BLOCK		
	Cost/ Valuation as at 31st December, 2004	Additions	Deductions/ Transfers	Cost/ Valuation as at 31st December, 2005	As at 31st December, 2004	Additions	Adjustments during the year	Deductions/ Transfers	Impairment Loss for the year (c)	As at 31st December, 2005	As at 31st December, 2005	As at 31st December, 2004
Goodwill on consolidation	237,25.63	—	(92,20.86)	145,04.77	230,45.04	1,85.18	4,95.41	(92,20.86)	—	145,04.77	—	6,80.59
Land - Freehold	64,67.75	29.93	(7,29.29)	57,68.39	—	—	—	—	—	—	57,68.39	64,67.75
- Leasehold	86,97.88	1,08.21	(52,71.67)	35,34.42	2,29.81	27.57	—	—	—	2,57.38	32,77.04	84,68.07
Buildings	650,15.14	48,56.25	(70,86.91)	627,84.48	125,24.63	16,05.51	—	(31,41.51)	11,44.08	121,32.71	506,51.77	524,90.51
Railway sidings	0.59	—	—	0.59	0.59	—	—	—	—	0.59	—	—
Plant & machinery	1292,75.86	165,58.70	(93,97.13)	1364,37.43	506,49.52	94,85.65	—	(51,43.44)	21,33.51	571,25.24	793,12.19	786,26.34
Furniture, fittings & office equipment	212,25.32	11,43.52	(22,18.92)	201,49.92	141,26.54	13,33.08	—	(17,73.90)	24.74	137,10.46	64,39.46	70,98.78
Trademarks	165,49.11	—	—	165,49.11	163,49.10	—	—	—	2,00.01	165,49.11	—	2,00.01
Goodwill	6,34.15	71.16	—	7,05.31	2,92.53	13.34	—	—	3,41.62	6,47.49	57.82	3,41.62
Software	—	7,76.68	—	7,76.68	—	1,55.34	—	—	—	1,55.34	6,21.34	—
Motor vehicles	44,48.82	5,50.05	(18,57.13)	31,41.74	23,91.46	5,08.39	—	(13,13.49)	—	15,86.36	15,55.38	20,57.36
Total	2760,40.25	240,94.50	(357,81.91)	2643,52.84	1196,09.22	133,14.06	4,95.41	(205,93.20)	38,43.96	1166,69.45	1476,83.39	1564,31.03
Share of Joint Ventures Schedule -20 (b)	64,75.23	3,37.59	(6,58.69)	61,54.13	23,46.70	5,23.46	—	(3,57.94)	—	25,12.22	36,41.91	41,28.53
Total - 2005	2825,15.48	244,32.09	(364,40.60)	2705,06.97	1219,55.92	138,37.52	4,95.41	(209,51.14)	38,43.96	1191,81.67	1513,25.30	1605,59.56
Total - 2004	2675,89.23	318,05.62	(168,79.37)	2825,15.48	1117,94.77	196,49.23	—	(94,88.08)	—	1219,55.92	1605,59.56	—

NOTES :

- Capital expenditure commitments - Rs. 32,59.82 lakhs (2004 - Rs. 31,17.96 lakhs)
- The title deeds of immovable properties aggregating Rs. 43,81.22 lakhs (2004 - Rs. 39,11.84 lakhs), acquired on transfer of businesses / undertakings are in the process of being transferred in the name of the respective Companies.
- The impairment of sea food exports business assets is charged to exceptional items (refer note 13 (v) of the Profit and Loss Account).

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6. INVESTMENTS (Long-term, Unquoted, unless otherwise stated)				
A. INVESTMENTS IN GOVERNMENT SECURITIES				
7 Year National Savings Certificates - II Issue			1.14	1.14
12 Year Post Office National Defence Certificates			—	0.12
Government of India stock of the face value of Rs. 2,03.24 lakhs (2004 - Rs. 27,03.24 lakhs) (Current Investments) (quoted)			2,28.83	27,71.05
Government Stocks/Bonds(Quoted)			4,98.53	4,98.53
Treasury Bills of the face value of Rs. 134,00.00 lakhs (2004 - Rs. 205,00.00 lakhs) (Current Investments)			128,59.77	203,05.19
Treasury Bills of the face value of Rs. 20,00.00 lakhs (2004 - Nil) (Current Investments)			—	—
[taken over (refer note 14(i)) and sold during the year]				
Treasury Bills of the face value of Rs. 17,76.00 lakhs (2004 - Nil) (Current Investments)			—	—
[taken over (refer note 14(i)) and sold during the year]				
Certificates of Deposit of the face value of Rs. 160,00.00 lakhs (2004 - Rs. Nil) (Current Investments)			155,81.43	—
Share of Joint Ventures - Schedule - 20(b)			0.12	0.12
TOTAL - A			291,69.82	235,76.15
B. TRADE INVESTMENTS AT COST - SHARES				
In Associates				
Vashisti Detergents Limited	1,69,04,140	Equity shares of Rs.10 each fully paid (quoted) Cost of acquisition (including goodwill of Rs. 7,19.66 lakhs)	29,40.00 (80.60)	29,40.00 83.62
		Add : Group Share of Profit/(losses) upto 31.12.05	28,59.40	30,23.62
In Other Companies				
Tata Chemicals Limited	1,19,32,000	(2004-1,42,32,000) Equity shares of Rs.10 each fully paid (quoted) (23,00,000 shares sold during the year)	112,53.15	134,22.29
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs.100 each fully paid	0.05	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	5.87	5.87
Aquagel Chemicals Private Limited	2,84,040	Equity shares of Rs.100 each fully paid	2,65.56	2,65.56
	9,13,000	7% Cumulative Redeemable Preference Shares of Rs.100 each fully paid	9,13.00	9,13.00
Super Bazar Co-op. Stores Limited	1,000	Equity shares of Rs.10 each fully paid	0.10	0.10
Snowman Frozen Foods Limited	38,32,000	Equity shares of Rs.10 each fully paid	5,01.71	5,01.71
S.C.Johnson Products Private Limited	11,04,000	Equity shares of Rs.5 each fully paid	7.02	7.02
Coffee Futures India Exchange Limited	1	Equity share of Rs.10,000 each fully paid	0.10	0.10
Goldfield Fragrances Private Limited	7,164	Equity shares of Rs.100 each fully paid	2.40	2.40
ABC Tea Workers Welfare Services	13,926	Equity shares of Rs.10 each fully paid	—	1.39
Project India Blend Limited	1,00,000	Equity shares of Rs.10 each fully paid	—	10.00
Share of Joint Ventures- Schedule - 20(b)			62.52	12.00
TOTAL - B			158,70.88	181,65.11
C. NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES & BONDS				
Emergents Genetics India Private Limited (formerly Paras Extra Growth Seeds Limited)		(2004-7,312,500) Equity shares of Rs. 10 each fully paid (Sold during the year)	—	8,41.66
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs. 10 each fully paid	24.00	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs. 10 each fully paid	0.83	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures (Face value Rs. 0.14 lakhs)	0.17	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs. 0.27 lakhs)	0.27	0.27
	44	1/2% Debentures of Rs.100 each (Face value Rs. 0.05 lakhs : Cost Rs. 100)	—	—
Shillong Club Limited	56	5% Debentures of Rs. 100 each (Cost Rs. Nil)	—	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs.100 each fully paid	0.20	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs. 10 each fully paid	10.00	10.00
Scooters India Limited	10,000	Equity shares of Rs. 10 each fully paid (Quoted)	1.00	1.00
Annamallais Ropeway Company Limited	1,150	Ordinary shares of Rs. 100 each fully paid (Cost Rs. Nil)	—	—
Saraswat Co-operative Bank Limited	1,000	Equity shares of Rs. 10 each fully paid	0.10	0.10
	1,005	Equity shares of Rs. 10 each fully paid (Refer note 14(i))	0.10	0.10
National Bank for Agriculture and Rural Development		(2004-52,530) 8% Capital Gains Bonds of Rs.10,000 each (Redeemed during the year)	—	52,53.00
	15,500	5.25% Capital Gains Bonds of Rs. 10,000 each	15,50.00	15,50.00
	17,484	5.25% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	17,48.39	—
	9,250	5.50% Capital Gains Bonds of Rs. 10,000 each	9,25.00	9,25.00
	870	5.20% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	87.00	—
	72,000	5.40% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	72,00.00	—
	13,500	5.20% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	13,50.00	—

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6. INVESTMENTS (Contd...) (Long-term, Unquoted, unless otherwise stated)				
	2,000	5.42% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)	2,00.00	—
National Highways Authority of India		(2004-131,250) 8% Capital Gains Bonds of Rs.10,000 each (Redeemed during the year)	—	131,25.00
National Housing Bank	50,000	5.50% Capital Gains Bonds 2002 of Rs.10,000 each	50,00.00	50,00.00
	3,075	5.10% Capital Gains Bonds 2002 of Rs.10,000 each	3,07.50	3,07.50
OTHERS				
Unit Trust of India	48,77,837	Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments) (Quoted)	50,04.54	50,04.54
	5,000	Master Gain '92 units of Rs.10 each	0.50	0.50
Prudential ICICI Mutual Fund	1,00,00,000	Units Prudential ICICI Fixed Maturity Plan - S 25 - Yearly Plan - December 05 - Dividend (1,00,00,000 Units Purchased during the year) (Current Investments)	10,00.00	—
	—	Units Prudential ICICI Floating Rate Fund - Plan C - Dividend (5,41,94,775 Units Purchased, 10,59,603 Units cumulated, 5,52,54,378 Units sold during the year) (Current Investments)	—	—
	5,55,69,900	Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (5,52,77,029 Units Purchased, 2,92,871 Units cumulated during the year) (Current Investments)	55,56.99	—
	1,46,00,399	Units Prudential ICICI Long Term Plan - Dividend (1,42,63,301 Units Purchased, 3,37,098 Units cumulated during the year) (Current Investments)	15,25.48	—
		Units Prudential ICICI Liquid - Institutional Plus - Daily Dividend (29,50,25,947 Units Purchased, 65,844 Units cumulated, 29,50,91,791 Units sold during the year) (Current Investments)	—	—
	1,25,11,745	(2004 - 21,16,17,030) (Units Prudential ICICI Liquid - Institutional Plus - Growth (1,25,11,745 Units Purchased, 21,16,17,030 Units sold during the year) (Current Investments)	21,00.00	333,00.00
	—	(2004 - 4,28,41,680) (Units Prudential ICICI Liquid - Institutional Plus - Monthly Dividend (47,21,20,809 Units Purchased, 5,869,856 Units cumulated, 52,08,32,345 Units sold during the year) (Current Investments)	—	51,06.24
	—	(2004 - 15,18,90,040) (Units Prudential ICICI Liquid - Institutional Plus - Weekly Dividend (51,24,00,983 Units Purchased, 16,17,341 Units cumulated, 66,59,08,364 Units sold during the year) (Current Investments)	—	180,17.78
	—	Units Prudential ICICI Liquid - Super Institutional Plan - Daily Dividend (1,64,00,000 Units Purchased, 2,543 Units cumulated, 1,64,02,543 Units sold during the year) (Current Investments)	—	—
	9,82,52,700	Units Prudential ICICI Liquid - Super Institutional Plan - Monthly Dividend (10,78,31,573 Units Purchased, 3,78,709 Units cumulated, 99,57,582 Units sold during the year) (Current Investments)	98,27.41	—
	17,35,27,281	Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend (20,86,44,401 Units Purchased, 4,33,669 Units cumulated, 19,15,50,789 Units sold during the year) (Current Investments)	17,53.58	—
	78,12,927	Units Prudential ICICI Short Term Institutional Plan - Growth (78,12,927 Units Purchased during the year) (Current Investments)	10,00.12	—
	2,30,41,603	Units Prudential ICICI Short Term Institutional Plan - Monthly Dividend (3,18,16,739 Units Purchased, 3,04,961 Units cumulated, 90,80,097 Units sold during the year) (Current Investments)	25,29.44	—
	2,66,00,000	Units Prudential ICICI Fixed Maturity Plan - S 25 - Yearly Plan - December 05 - Dividend (2,66,00,000 Units Purchased during the year) (Current Investments)	26,60.00	—
		Units Prudential ICICI Floating Rate Fund - Plan C - Dividend (74,83,985 Units Purchased, 2,00,399 Units cumulated, 76,84,384 Units sold during the year) (Current Investments)	—	—
	77,28,264	Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (76,87,532 Units Purchased, 40,732 Units cumulated during the year) (Current Investments)	7,71.83	—
		Units Prudential ICICI Liquid - Institutional Plus - Daily Dividend (23,288,191 Units Purchased, 8,095 Units cumulated, 2,32,96,286 Units sold during the year) (Current Investments)	—	—
		Units Prudential ICICI Liquid - Institutional Plus - Weekly Dividend (3,95,97,652 Units Purchased, 83,945 Units cumulated, 3,96,81,597 Units sold during the year) (Current Investments)	—	—
	1,69,72,713	Units Prudential ICICI Liquid - Super Institutional Plan - Monthly Dividend (1,99,97,204 Units Purchased, 65,421 Units cumulated, 30,89,912 Units sold during the year) (Current Investments)	16,97.56	—
	47,67,810	Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend (1,07,55,306 Units Purchased, 10,239 Units cumulated, 59,97,735 Units sold during the year) (Current Investments)	4,76.96	—
		(2004 - 81,00,373) Units of Prudential ICICI Institutional Liquid Plan-Growth (1,04,83,780 units purchased, 1,91,754 units cumulated, 1,87,75,907 units sold during the year) (Current Investments)	—	9,66.18

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6.	INVESTMENTS (Contd...)			
	(Long-term, Unquoted, unless otherwise stated)			
DSP Merrill Lynch Mutual Fund	1,50,00,000	Units DSP Merrill Lynch Fixed Term Plan - Series 1 - Dividend (15,000,000 Units Purchased during the year) (Current Investments)	15,00.00	—
	3,00,00,000	Units DSP Merrill Lynch Fixed Term Plan - Series 1A - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)	30,00.00	—
		Units DSP Merrill Lynch Floating Rate Fund - Weekly Dividend (99,79,234 Units Purchased, 1,01,230 Units cumulated, 1,00,80,464 Units sold during the year) (Current Investments)	—	—
		Units DSP Merrill Lynch Liquidity Fund - Dividend (4,43,32,678 Units Purchased, 97,239 Units cumulated, 4,44,29,917 Units sold during the year) (Current Investments)	—	—
		Units DSP Merrill Lynch Liquidity Fund - Daily Dividend (49,95,005 Units Purchased, 633 Units cumulated, 49,95,638 Units sold during the year) (Current Investments)	—	—
		Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Daily Dividend (2,39,953 Units Purchased, 256 Units cumulated, 2,40,209 Units sold during the year) (Current Investments)	—	—
	2,42,965	Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Weekly Dividend (6,40,983 Units Purchased, 1,664 Units cumulated, 3,99,682 Units sold during the year) (Current Investments)	24,30.53	—
Standard Chartered Mutual Fund		(2004-3,08,81,499) (Units Grindlays Cash Fund - Institutional Plan - Growth (2,06,15,621 Units purchased, 2,95,952 Units cumulated, 5,17,93,071 units sold during the year) (Current Investments)	—	35,80.10
		Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Daily Dividend (74,75,00,000 Units Purchased, 2,34,353 Units cumulated, 74,77,34,353 Units sold during the year) (Current Investments)	—	—
		(2004 - 4,54,46,466) (Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Growth (4,54,46,466 Units sold during the year) (Current Investments)	—	47,00.00
	4,43,98,133	Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (14,69,78,239 Units Purchased, 22,42,859 Units cumulated, 10,48,22,965 Units sold during the year) (Current Investments)	44,40.48	—
	1,08,76,476	(2004 -14,49,83,087) (Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Weekly Dividend (65,92,82,335 Units Purchased, 12,44,738 Units cumulated, 79,46,33,684 Units sold during the year) (Current Investments)	10,87.65	144,98.30
		Units Grindlays Floating Rate Fund - Institutional Plan - Long Term Plan - Monthly Dividend (1,99,39,733 Units Purchased, 1,49,613 Units cumulated, 2,00,89,346 Units sold during the year) (Current Investments)	—	—
		Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Daily Dividend (8,60,00,000 Units Purchased, 12,043 Units cumulated, 8,60,12,043 Units sold during the year) (Current Investments)	—	—
	2,05,12,561	Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Monthly Dividend (2,00,48,933 Units Purchased, 4,63,628 Units cumulated during the year) (Current Investments)	20,54.33	—
		Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Weekly Dividend (2,59,82,912 Units Purchased, 1,84,703 Units cumulated, 2,61,67,615 Units sold during the year) (Current Investments)	—	—
		Units Grindlays Fixed Maturity Plan - 11 - Growth (1,50,00,000 Units Purchased, 1,50,00,000 Units sold during the year) (Current Investments)	—	—
	2,00,00,000	Units Grindlays Fixed Maturity Plan - 17 - Dividend (2,00,00,000 Units Purchased during the year) (Current Investments)	20,00.00	—
		(2004-2,00,00,000) (Units Grindlays Fixed Maturity Plan - Annual Plan - Growth(, 2,00,00,000 Units sold during the year) (Current Investments)	—	20,00.00
	1,50,00,000	Units Grindlays Fixed Maturity Plan - Annual Plan 4 - Institutional Plan - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)	15,00.00	—
	2,62,19,239	Units Grindlays Super Saver Investment Fund - Short Term - Plan C - Super Institutional Plan - Monthly Dividend (2,59,37,260 Units Purchased, 2,81,979 Units cumulated during the year) (Current Investments)	26,24.55	—
		Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Daily Dividend (50,00,000 Units Purchased, 586 Units cumulated, 50,00,586 Units sold during the year) (Current Investments)	—	—
	41,18,522	Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (2,39,70,359 Units Purchased, 1,21,001 Units cumulated, 1,99,72,838 Units sold during the year) (Current Investments)	4,11.92	—
		Units Grindlays Cash Fund - Super Institutional Plan - Weekly Dividend (1,46,05,539 Units Purchased, 10,448) Units cumulated, 1,46,15,987 Units sold during the year) (Current Investments)	—	—

Schedules to Balance Sheet

		2005 Rs. lakhs	2004 Rs. lakhs
6.	INVESTMENTS (Contd...) (Long-term, Unquoted, unless otherwise stated)		
	Units Grindlays Cash Fund - Weekly Dividend (7,84,612 Units Purchased, 380 Units cumulated, 7,84,992 Units sold during the year) (Current Investments)	—	—
	Units Grindlays Cash Fund - Weekly Dividend (7,35,712 Units Purchased, 6,610 Units cumulated, 7,42,322 Units sold during the year) (Current Investments)	—	—
HDFC Mutual Fund	Units HDFC Cash Management Fund - Savings Plan - Daily Dividend (7,05,12,580 Units Purchased, 8,689 Units cumulated, 705,21,269 Units sold during the year) (Current Investments)	—	—
	(2004 - 4,56,66,454) (Units HDFC Cash Mgmt Fund - Savings Plan - Growth (4,56,66,454 Units sold during the year) (Current Investments)	—	60,00.00
	Units HDFC Cash Management Fund - Savings Plan - Weekly Dividend (75,24,455 Units Purchased, 75,24,455 Units sold during the year) (Current Investments)	—	—
	4,99,33,636 Units HDFC Cash Management Fund - Savings Plus - Dividend (8,28,46,524 Units Purchased, 20,32,199 Units cumulated, 3,49,45,087 Units sold during the year) (Current Investments)	50,02.45	—
	Units HDFC High Interest Fund - Short Term Plan - Dividend (47,34,894 Units Purchased, 32,682 Units cumulated, 47,67,576 Units sold during the year) (Current Investments)	—	—
	1 Units HDFC Liquid Fund - Premium Plus Plan - Weekly Dividend (73,78,562 Units Purchased, 64,847 Units cumulated, 74,43,408 Units sold during the year) (Current Investments)	—	—
Birla Mutual Fund	(2004-89,09,684) (Units Birla Bond Plus - Institutional Plan - Dividend (89,09,684 Units sold during the year) (Current Investments)	—	9,26.64
	Units Birla Cash Plus - Institutional Premium Plan - Daily Dividend (15,66,94,048 Units Purchased, 47,665 Units cumulated, 15,67,41,713 Units sold during the year) (Current Investments)	—	—
	Units Birla Cash Plus - Institutional Premium Plan - Fortnightly Dividend (2,88,11,613 Units Purchased, 1,28,320 Units cumulated, 2,89,39,933 Units sold during the year) (Current Investments)	—	—
	5,49,71,920 Units Birla Cash Plus - Institutional Premium Plan - Monthly Dividend (5,39,63,683 Units Purchased, 10,08,237 Units cumulated during the year) (Current Investments)	54,99.06	—
	Units Birla Cash Plus - Institutional Premium Plan - Weekly Dividend (16,39,14,823 Units Purchased, 4,41,671 Units cumulated, 16,43,56,494 Units sold during the year) (Current Investments)	—	—
	99,92,107 Units Birla Fixed Maturity Plan - Quarterly Series 2 - December 05 - Dividend (99,92,107 Units Purchased during the year) (Current Investments)	10,00.00	—
	5,00,00,000 Units Birla Fixed Term Plan - Series A - Growth (5,00,00,000 Units Purchased during the year) (Current Investments)	50,00.00	—
Deutsche Mutual Fund	Units Deutsche Floating Rate Fund - Monthly Dividend (97,80,679 Units Purchased, 97,80,679 Units sold during the year) (Current Investments)	—	—
	Units Deutsche Floating Rate Fund - Weekly Dividend (3,11,57,073 Units Purchased, 99,177 Units cumulated, 3,12,56,250 Units sold during the year) (Current Investments)	—	—
	1,00,00,000 Units Deutsche Fixed Term Fund - 389 Days - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)	10,00.00	—
	54,81,837 Units Deutsche Fixed Term Fund - Series 4 - Growth (1,00,00,000 Units Purchased, 45,18,163 Units sold during the year) (Current Investments)	5,45.98	—
	(2004 -1,50,71,306) Units Deutsche Insta Cash Plus Fund - Growth (1,50,71,306 Units sold during the year) (Current Investments)	—	16,00.00
	Units Deutsche Insta Cash Plus Fund - Institutional Plan - Daily Dividend (6,68,69,605 Units Purchased, 14,620 Units cumulated, 6,68,84,225 Units sold during the year) (Current Investments)	—	—
	Units Deutsche Insta Cash Plus Fund - Institutional Plan - Weekly Dividend (11,68,27,776 Units Purchased, 5,23,133 Units cumulated, 11,73,50,909 Units sold during the year) (Current Investments)	—	—
	(2004 -1,19,69,835) Units Deutsche Short Maturity Fund - Monthly Dividend (43,990 Units cumulated, 1,20,13,825 Units sold during the year) (Current Investments)	—	12,11.11
	Units Deutsche Short Maturity Fund - Weekly Dividend (98,09,166 Units Purchased, 1,90,897 Units cumulated, 1,00,00,063 Units sold during the year) (Current Investments)	—	—
HSBC Mutual Fund	(2004 -1,49,65,019) Units HSBC Cash Fund - Institutional Plan - Growth (1,49,65,019 Units sold during the year) (Current Investments)	—	16,00.00
	Units HSBC Cash Fund - Institutional Plus - Daily Dividend (4,19,76,494 Units Purchased, 17,703 Units cumulated, 4,19,94,197 Units sold during the year) (Current Investments)	—	—

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6.	INVESTMENTS (Contd...) (Long-term, Unquoted, unless otherwise stated)			
	2,51,73,398	(2004-19,25,63,707) Units HSBC Cash Fund - Institutional Plus - Monthly Dividend (16,36,25,243 Units Purchased, 8,57,539 Units cumulated, 33,18,73,091 Units sold during the year) (Current Investments)	25,19.43	192,63.49
		(2004 -7,50,02,767) (Units HSBC Cash Fund - Institutional Plus - Weekly Dividend (1,67,65,862 Units Purchased, 56,189 Units cumulated, 9,18,24,818 Units sold during the year) (Current Investments)	—	75,01.92
	1,80,44,571	Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus - Daily Dividend (1,79,96,401 Units Purchased, 48,170 Units cumulated during the year) (Current Investments)	18,04.82	—
	3,88,29,717	Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus - Monthly Dividend (3,86,76,366 Units Purchased, 1,53,351 Units cumulated during the year) (Current Investments)	38,85.07	—
		Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plan - Daily Dividend (3,09,59,134 Units Purchased, 28,466 Units cumulated, 3,09,87,600 Units sold during the year) (Current Investments)	—	—
		Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plan - Monthly Dividend (10,65,13,318 Units Purchased, 18,89,859 Units cumulated, 10,84,03,177 Units sold during the year) (Current Investments)	—	—
		Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plan - Weekly Dividend (1,99,64,065 Units Purchased, 65,425 Units cumulated, 20,029,490 Units sold during the year) (Current Investments)	—	—
	1,00,00,000	Units HSBC Fixed Term Scheme 1 - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)	9,96.51	—
PRINCIPAL Mutual Fund		(2004 -2,39,38,564) Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Plan - Growth (2,39,38,564 Units sold during the year) (Current Investments)	—	25,00.00
		Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Daily Dividend (9,39,93,741 Units Purchased, 29,926 Units cumulated, 94,023,667 Units sold during the year) (Current Investments)	—	—
		(2004 - 4,92,38,287) Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Growth (4,92,38,287 Units sold during the year) (Current Investments)	50,00.00	—
	7,22,37,373	(2004 - 13,87,45,487) Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Monthly Dividend (25,26,40,497 Units Purchased, 41,91,497 Units cumulated, 32,33,40,108 Units sold during the year) (Current Investments)	72,26.70	138,78.74
	1,49,98,651	(2004 -2,70,27,497) (Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Weekly Dividend (26,51,91,645 Units Purchased, 7,64,930 Units cumulated, 27,79,85,421 Units sold during the year) (Current Investments)	15,00.00	27,02.82
	1,50,00,000	Units PRINCIPAL Deposit Fund - 371 days - March 05 - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)	15,00.00	—
	1,50,00,000	Units PRINCIPAL Deposit Fund - November 05 - 91 days - Dividend (1,50,00,000 Units Purchased during the year) (Current Investments)	15,00.00	—
		Units PRINCIPAL Floating Rate Fund - Fixed Maturity Plan - Institutional Plan - Weekly Dividend (99,93,080 Units Purchased, 2,42,087 Units cumulated, 1,02,35,167 Units sold during the year) (Current Investments)	—	—
		Units PRINCIPAL Floating Rate Fund - Short Maturity Plan - Institutional Plan - Monthly Dividend (5,51,58,502 Units Purchased, 5,32,401 Units cumulated, 5,56,90,903 Units sold during the year) (Current Investments)	—	—
		Units PRINCIPAL Floating Rate Fund - Short Maturity Plan - Institutional Plan - Weekly Dividend (5,49,85,157 Units Purchased, 3,14,720 Units cumulated, 5,52,99,877 Units sold during the year) (Current Investments)	—	—
	2,31,85,393	Units PRINCIPAL Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend (2,28,70,821 Units Purchased, 3,14,572 Units cumulated during the year) (Current Investments)	25,32.80	—
Franklin Templeton Investments		Units Templeton Floating Rate Income Fund Short Term - Dividend (8,38,31,858 Units Purchased, 4,08,265 Units cumulated, 8,42,40,123 Units sold during the year) (Current Investments)	—	—
		Units Templeton India TMA - Institutional Plan - Weekly Dividend (1,99,844 Units Purchased, 333 Units cumulated, 2,00,177 Units sold during the year) (Current Investments)	—	—
		Units Templeton India TMA - Super Institutional Plan - Daily Dividend (2,49,974 Units Purchased, 785 Units cumulated, 2,50,759 Units sold during the year) (Current Investments)	—	—
		Units Templeton India TMA - Super Institutional Plan - Weekly Dividend (2,50,595 Units Purchased, 1,001 Units cumulated, 2,51,596 Units sold during the year) (Current Investments)	—	—
ABN AMRO Mutual Fund	7,79,70,636	Units ABN AMRO Cash Fund - Institutional Plus Plan - Monthly Dividend (7,71,36,583 Units Purchased, 8,34,053 Units cumulated during the year) (Current Investments)	77,97.80	—
		Units ABN AMRO Cash Fund - Institutional Plan - Monthly Dividend	—	—

Schedules to Balance Sheet

			2005 Rs. lakhs	2004 Rs. lakhs
6. INVESTMENTS (Contd...) (Long-term, Unquoted, unless otherwise stated)				
		(4,39,21,982 Units Purchased, 1,85,936 Units cumulated, 4,41,07,918 Units sold during the year) (Current Investments)		
SBI Mutual Fund		Units SBI Magnum Institutional Income - Savings Plan - Daily Dividend (4,78,44,506 Units Purchased, 31,514 Units cumulated, 4,78,76,020 Units sold during the year) (Current Investments)	—	—
	6,04,97,483	Units SBI Magnum Institutional Income Savings Plan - Fortnightly Dividend (5,96,64,937 Units Purchased, 8,32,546 Units cumulated during the year) (Current Investments)	60,87.80	—
		Units SBI Magnum Institutional Income Savings Plan - Weekly Dividend (2,18,74,640 Units Purchased, 1,33,460 Units cumulated, 2,20,08,100 Units sold during the year) (Current Investments)	—	—
TATA Mutual Fund	1,50,00,000	Units Tata Fixed Horizon Fund - Series 2 - Plan B - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)	14,98.23	—
		Units Tata Liquid Fund - SHIP - Daily Dividend (89,727 Units Purchased, 143 Units cumulated, 89,870 Units sold during the year) (Current Investments)	—	—
	1,79,417	Units Tata Liquid Fund - SHIP - Monthly Dividend (1,77,068 Units Purchased, 2,349 Units cumulated during the year) (Current Investments)	20,28.17	—
Share of Joint Ventures- Schedule - 20(b)			30,87.00	22,54.00
		TOTAL - C	1373,70.25	1786,51.19
Provision for diminution in value of long-term investments		TOTAL - (A+B+C)	1824,10.95	2203,92.45
			(2,50.65)	(3,77.17)
		TOTAL	1821,60.30	2200,15.28
Aggregate book value of investments		Unquoted	1623,14.35	1952,94.25
		Listed but not quoted	—	1.00
		Quoted-Market Value Rs. 369,83.67 lakhs (2004 - Rs. 342,26.18 lakhs)	198,45.95	247,20.03
		TOTAL	1821,60.30	2200,15.28
			2005 Rs. lakhs	2004 Rs. lakhs
7. DEFERRED TAX ASSETS				
On Employee Separation and Retirement			183,19.92	198,39.34
On Other Timing Differences			120,93.93	123,61.15
On Fiscal Allowances on Investments			7,37.42	5,28.17
Other Items			26,76.48	47,50.81
			338,27.75	374,79.47
Share of Joint Ventures - schedule 20 (b)			—	—
			338,27.75	374,79.47
8. DEFERRED TAX LIABILITIES				
On Fiscal Allowances on Fixed Assets			(124,72.39)	(142,17.72)
			(124,72.39)	(142,17.72)
Share of Joint Ventures - schedule 20 (b)			(3,99.43)	(5,53.26)
			(128,71.82)	(147,70.98)
9. INVENTORIES (at lower of cost and net realisable value)				
Stores and spare parts, etc.			30,81.53	42,13.14
Raw materials			678,28.61	727,18.89
Packing materials			83,91.92	104,46.87
Work-in-progress			30,98.02	48,95.90
Processed chemicals			91.82	1,09.07
Finished goods			552,56.60	623,88.02
Property Development Activity (Including Land Development rights)			48.77	48.47
- Work-in-progress (Refer Note 15 to Profit and Loss Account)				
			1377,97.27	1548,20.36
Share of Joint Ventures - schedule 20 (b)			13,79.33	10,62.40
			1391,76.60	1558,82.76

Schedules to Balance Sheet

	2005 Rs. lakhs	2004 Rs. lakhs
10. SUNDRY DEBTORS (unsecured)		
Considered good		
Over 6 months old	51,28.17	67,92.65
Others	517,58.73	493,11.82
	568,86.90	561,04.47
Considered doubtful		
Over 6 months old	72,25.70	87,56.92
Others	29.29	3.94
	72,54.99	87,60.86
	641,41.89	648,65.33
Less : Provision for doubtful debts	(72,54.99)	(87,60.86)
	568,86.90	561,04.47
Share of Joint Ventures - schedule 20 (b)	10,79.06	8,36.51
	579,65.96	569,40.98
11. CASH AND BANK BALANCES		
Cash on hand	1,46.92	1,71.27
With Scheduled banks	115,30.08	141,74.41
- on current accounts	263,23.61	604,50.55
- on deposit accounts		
	380,00.61	747,96.23
Share of Joint Ventures - schedule 20 (b)	39,84.03	33,56.56
	419,84.64	781,52.79
12. OTHER CURRENT ASSETS		
Income accrued on investments	15,57.70	40,19.05
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	3,23.48	9,17.24
	18,81.18	49,36.29
Share of Joint Ventures - schedule 20 (b)	1,54.78	1,68.31
	20,35.96	51,04.60
13. LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received [including :-	341,65.92	388,86.57
(i) Rs. 132,36.36 lakhs (2004 - Rs. 145,45.17 lakhs) not due before 31st December, 2006;		
Considered doubtful	38,84.26	29,83.32
	380,50.18	418,69.89
Less : Provision for doubtful advances	(38,84.26)	(29,83.32)
	341,65.92	388,86.57
Receivable from Emergent Genetics India Private Limited (Formerly known as Paras Extra Growth Seeds Limited)	—	16,80.00
Deposits with Customs, Port Trust, Excise, etc.	140,37.96	152,27.51
	482,03.88	557,94.08
Share of Joint Ventures - schedule 20 (b)	15,75.88	9,33.56
	497,79.76	567,27.64
14. LIABILITIES		
Acceptances	561,20.72	454,05.68
Sundry creditors (Schedule 18)		
Small Scale Industrial Undertakings	44,05.92	44,07.94
Others	2390,26.57	2110,03.40
	2434,32.49	2154,11.34
Advances and progress payments - Property Development Activity	6.24	1,40.11
Security advances	17,20.71	16,42.78
Dividends declared pending payment / encashment	35,51.95	35,05.09
Interest accrued but not due on loans	4,82.16	62,31.11
	3053,14.27	2723,36.11
Share of Joint Ventures - schedule 20 (b)	28,16.03	22,72.88
	3081,30.30	2746,08.99

Schedules to Balance Sheet

	2005 Rs. lakhs	2004 Rs. lakhs
15. PROVISIONS		
Current taxation (provisions in excess of payments) including tax on distributed profits	67,30.36	70,21.23
Fringe Benefit Taxation	9,20.25	—
Provision for retirement/post retirement benefits and other employee benefits	476,95.76	465,65.57
Proposed dividend	550,31.09	550,31.09
Other provisions (Schedule 21)	76,43.89	76,68.42
	1180,21.35	1162,86.31
Share of Joint Ventures - schedule 20 (b)	7,51.01	3,13.12
	1187,72.36	1165,99.43

16. Certain demands for increased wages, etc. received from workmen have been referred to adjudication. In the opinion of Hindustan Lever Limited's management, the ultimate liability to the Company, if any, with respect to such demands would not have a material effect on the accounts.

	2005 Rs. lakhs	2004 Rs. lakhs
17. CONTINGENT LIABILITIES		
(a) Claims made against Companies not acknowledged as debts and other matters		
Income-tax matters	238,45.58	236,24.54
Sales tax matters-gross Rs. 233,36.01 lakhs (2004 - Rs. 319,93.24 lakhs) net of tax	154,81.31	203,37.04
Excise and Customs duty matters-gross Rs. 60,78.80 lakhs (2004 - Rs. 23,79.38 lakhs) net of tax	40,32.68	15,08.71
Other matters-gross Rs. 17,64.75 lakhs (2004 - Rs. 24,61.80 lakhs)	11,70.73	15,60.96
(b) Bills discounted but not matured	—	10.28
(c) Guarantees given to banks, etc. in respect of third parties	64,01.87	84,51.49
Share of Joint Ventures - schedule 20 (b)	—	—

Note :

Future cash outflows in respect of (a) above are determinable only on receipt of judgements/decisions pending with various forums/authorities.

18. The information given in Schedule 14 - "Liabilities" regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the respective Companies. This has been relied upon by the auditors.

19. Events subsequent to the Balance Sheet date :

- The Scheme of arrangement for amalgamation of Vashisti Detergents Limited with Hindustan Lever Ltd. was approved by the Honourable High Court of Bombay, the effect of which has not been given in the accounts.
- Hindustan Lever Ltd. has signed a share sale agreement to dispose off its investments in a subsidiary.

20. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements", Accounting Standard 23 (AS 23) - "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS 27) - "Financial Reporting of Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India.

- (a) **The subsidiaries (which along with Hindustan Lever Limited, the parent, constitute the Group) considered in the consolidated financial statements are :**

Name of the Company	Country of Incorporation	% voting power held as at 31st December, 2005	% voting power held as at 31st December, 2004
Lipton India Exports Limited (Merged with Hindustan Lever Ltd. during the year)	India	—	100.00
Unilever India Exports Limited (formerly known as Indexport Limited)	India	100.00	100.00
Bon Limited	India	100.00	100.00
Unilever Nepal Limited (formerly known as Nepal Lever Ltd.)	Nepal	80.00	80.00
Lever India Exports Limited (Merged with Hindustan Lever Ltd. during the year)	India	—	100.00
Merryweather Food Products Limited (Merged with Hindustan Lever Ltd. during the year)	India	—	100.00
International Fisheries Limited (Merged with Hindustan Lever Ltd. during the year)	India	—	99.98
Hindustan Kwaliti Walls Foods Pvt. Ltd. (purchased during the year)	India	100.00	—
Modern Food Industries (India) Limited	India	100.00	100.00
Ponds Exports Limited	India	100.00	100.00
Doom Dooma Tea Company Ltd. (formerly known as Daverashola Tea Company Limited)	India	100.00	100.00
Tea Estates India Limited (formerly known as Thiashola Tea Company Limited)	India	100.00	100.00
Unilever India Shared Services Limited (formerly known as Indigo Lever Shared Services Limited)	India	100.00	100.00
Rossell Industries Limited (Shares held by Lipton India Exports Limited) (upto April, 2005) (Refer 14(ii) of Notes to Profit and Loss Account)	India	—	61.13

Schedules to Balance Sheet

Name of the Company	Country of Incorporation	% voting power held as at 31st December, 2005	% voting power held as at 31st December, 2004
TOC Disinfectants Limited (Shares held by Lever India Exports Limited and Unilever India Exports Limited) (Merged with Hindustan Lever Ltd., during the year)	India	—	99.00
Modern Food and Nutrition Industries Limited (Shares held by Modern Food Industries (India) Limited)	India	100.00	100.00
Levers Associated Trust Limited	India	100.00	100.00
Levindra Trust Limited	India	100.00	100.00
Hindlever Trust Limited	India	100.00	100.00
(b) Interests in Joint Ventures			
The Group's interests, in jointly controlled entities (incorporated Joint Ventures) are :			
Name of the Company	Country of Incorporation	% of ownership interest as at 31st December, 2005	% of ownership interest as at 31st December, 2004
Kimberly Clark Lever Private Limited	India	50%	50%
Quest International India Limited	India	49%	49%
The Financial Statements of the Joint Ventures are drawn upto 31st December.			
		As at 31st December, 2005 (Rs. Lakhs)	As at 31st December, 2004 (Rs. Lakhs)
I. ASSETS			
1. Fixed Assets (including Capital work-in-progress)		36,45.46	41,43.26
2. Investments		31,49.64	22,66.12
3. Deferred Tax - Net		(3,99.43)	(5,53.26)
4. Current Assets, Loans and Advances			
a) Inventories		13,79.33	10,62.40
b) Sundry Debtors		10,79.06	8,36.51
c) Cash and Bank Balances		39,84.03	33,56.56
d) Other Current Assets		1,54.78	1,68.31
e) Loans and Advances		15,75.88	9,33.56
II. LIABILITIES			
1. Shareholders' Funds - Reserves and Surplus		(21,26.11)	(9,51.20)
2. Secured Loans		(1,25.19)	—
3. Current Liabilities and Provisions			
a) Liabilities		(28,16.03)	(22,72.88)
b) Provisions		(7,51.01)	(3,13.12)
		For the year ended 31st December, 2005 (Rs. Lakhs)	For the year ended 31st December, 2004 (Rs. Lakhs)
III. INCOME			
1. Sales (net of excise duty)		108,75.82	92,71.52
2. Other Income		4,15.64	3,49.09
IV. EXPENSES			
1. Operating expenses		(91,65.88)	(72,51.80)
2. Depreciation		(5,23.46)	(10,78.76)
3. Interest		(1.21)	(1.09)
4. Profit before Taxation		16,00.91	12,88.96
5. Provision for Taxation (including deferred taxation)		(4,26.00)	(4,21.33)
6. Profit after Taxation before minority interests		11,74.91	8,67.63
7. Minority Interests		—	—
8. Net Profit		11,74.91	8,67.63
V. OTHER MATTERS			
1. Contingent Liabilities		—	—
2. Capital Commitments		—	—
The movement of the aggregate reserves of the joint ventures are as under :			
Reserves as at 1st January		9,51.20	83.57
Add : Group share of Profits for the year		11,74.91	8,67.63
Reserves as at 31st December		21,26.11	9,51.20
(c) Investment in Associates			
The Group's Associates are :			
Name of the Company	Country of Incorporation	% of ownership interest as at 31st December, 2005	% of ownership interest as at 31st December, 2004
Vashisti Detergents Limited	India	32.91%	32.91%
The Financial Statements of the Associates are drawn upto 31st December.			

21. PROVISIONS

Other Provisions	(Rs. Lakhs)
As at 1st January, 2005	76,68.42
Provision made during the year	19,40.65
Amounts utilised / reversed during the year	(19,65.18)
As at 31st December, 2005	76,43.89
Future cash outflow in respect of the above is determinable only on occurrence of uncertain future events.	

22. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Notes to the Cash Flow Statement for the year ended 31st December, 2005

	2005 Rs. lakhs	2004 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	419,84.64	781,52.79
Unrealised loss/(gain) on foreign currency cash and cash equivalents	—	0.44
Total cash and cash equivalents	<u>419,84.64</u>	<u>781,53.23</u>
2. Cash and Cash equivalents includes Rs.Nil lakhs lien on bank deposits for loan availed by subsidiaries; 2004 - Rs. 55,00 lakhs		
3. Figures in brackets indicate cash outgo.		
4. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.		
5. The previous year's figures have been regrouped/restated wherever necessary to conform to this year's classification.		

Segment Information for the Year Ended 31st December, 2005

Information About Primary Business Segments

	2005 Rs. lakhs			2004 Rs. lakhs		
	External	Intersegment	Total	External	Intersegment	Total
REVENUE						
Soaps and Detergents	4963,49.99		4963,49.99	4469,71.90		4469,71.90
Personal Products	3012,04.30		3012,04.30	2608,33.49		2608,33.49
Beverages	1277,44.74		1277,44.74	1194,55.06		1194,55.06
Foods	406,51.77		406,51.77	429,52.75		429,52.75
Ice Creams	104,25.03		104,25.03	97,37.23		97,37.23
Exports	1460,58.73	16,20.22	1476,78.95	1459,30.32	19,82.36	1479,12.68
Other Operations	497,12.20	14,65.58	511,77.78	458,73.72	43,28.52	502,02.24
Total Segment	11721,46.76	30,85.80	11752,32.56	10717,54.47	63,10.88	10780,65.35
Eliminations			(30,85.80)			(63,10.88)
Total (see note 3 to Segment Information)			11721,46.76			10717,54.47
RESULT						
Soaps and Detergents			680,06.20			772,00.24
Personal Products			863,09.19			820,38.89
Beverages			242,40.46			238,70.75
Foods			(18,68.68)			(86,97.92)
Ice Creams			5,30.56			(1,71.71)
Exports			59,76.94			92,33.65
Other Operations			(29,36.54)			(35,17.23)
Total Segment			1802,58.13			1799,56.67
Total			1802,58.13			1799,56.67
Un-allocated expenditure net of unallocated income			(322,89.18)			(354,14.03)
Operating Profit			1479,68.95			1445,42.64
Interest expenses			(24,20.56)			(136,24.94)
Interest / dividend income and surplus on disposal of investments (net) (net of provision / write back for diminution in long-term investments and mark down of current investment)			131,67.86			152,63.78
Taxation for the year (including adjustments of previous years)			(264,33.65)			(321,30.83)
Profit after taxation, before exceptional items and share of Associates Profits			1322,82.60			1140,50.65
Exceptional items - income and expenditure (Segment)						
Detergents		(19,51.95)			(31,39.44)	
Personal Products		—			(39,35.15)	
Foods		(5,39.00)			93,97.54	
Beverages		—			(18,56.48)	
Ice Creams		(15,00.00)			—	
Exports		(38,43.96)			—	
Other Operations		46,34.29			(44,35.42)	
			(32,00.62)			(39,68.95)
Exceptional items - income and expenditure (Unallocated/Corporate)			20,05.03			82,11.96
- Tax credit			49,35.43			18,37.70
Profit after exceptional items before share of Associates Profits			1360,22.44			1201,31.36
Share of Associates net profit			(1,64.22)			4,89.32
Profit before Minority Interests			1358,58.22			1206,20.68

Segment Information for the Year Ended 31st December, 2005

Information About Primary Business Segments

	Segment Assets Rs. lakhs		Segment Liabilities Rs. lakhs	
	2005	2004	2005	2004
Other Information				
Soaps and Detergents	1477,93.98	1497,09.23	(1533,58.64)	(1218,24.59)
Personal Products	747,29.27	853,30.92	(503,39.53)	(554,27.04)
Beverages	402,04.83	421,18.02	(464,12.41)	(442,36.18)
Foods	139,88.11	143,65.71	(142,96.58)	(128,34.39)
Ice Creams	73,98.52	71,22.43	(85,49.76)	(69,57.73)
Exports	692,84.41	727,16.41	(239,81.07)	(213,83.87)
Other Operations	287,73.51	317,07.24	(94,22.53)	(120,36.42)
Total	3821,72.63	4030,69.96	(3063,60.52)	(2747,00.22)
Unallocated Corporate Assets / Liabilities	2868,08.96	3782,01.88	(1452,78.76)	(2917,04.59)
Total Assets / Liabilities	6689,81.59	7812,71.84	(4516,39.28)	(5664,04.81)

	Capital expenditure		Depreciation / Amortisation		Non-Cash expenses other than depreciation / amortisation	
	Year 2005	Year 2004	Year 2005	Year 2004	Year 2005	Year 2004
Soaps and Detergents	77,63.29	136,84.71	54,34.38	52,53.68	3,95.38	4,32.59
Personal Products	31,99.31	134,74.72	22,74.75	17,63.80	3,19.91	12,30.24
Beverages	4,40.15	7,45.85	6,14.34	6,06.85	1,13.01	3,71.94
Foods	2,77.17	4,67.15	2,44.26	2,79.23	1,58.74	2,92.01
Ice Creams	7,31.06	1,14.31	6,32.96	6,42.69	14.47	42.75
Exports	16,74.16	26,95.84	12,24.67	14,92.86	34,49.89	4,96.13
Other Operations	3,03.51	6,60.68	13,59.44	19,00.05	1,17.53	(66.97)

Segment Information for the Year Ended 31st December, 2005

Information About Secondary Business Segments

	2005 Rs. lakhs	2004 Rs. lakhs
Revenue by Geographical Market		
India	10017,96.95	9070,31.90
Outside India	1703,49.81	1647,22.57
Total	11721,46.76	10717,54.47
Additions to Fixed Assets and Intangible Assets		
India	142,34.76	317,84.16
Outside India	1,53.89	59.10
Total	143,88.65	318,43.26
Carrying Amount of Segment Assets		
India	3773,74.26	3976,24.20
Outside India	47,98.39	54,45.76
Total	3821,72.65	4030,69.96

Notes :

1. Business Segments

The business segment has been considered as the primary segment for disclosure. The products included in each of the reported domestic business segments are as follows:

- **Soaps and Detergents** include soaps, detergent bars, detergent powders, detergent liquids, scourers, etc.
- **Personal Products** include products in the categories of Oral Care, Skin Care (excluding soaps), Hair Care, Deodorants, Talcum Powder, Colour Cosmetics, etc.
- **Beverages** include tea and coffee.
- **Foods** include Oils and Fats, Branded Staples (Atta, Salt, etc.), Culinary Products (tomato based products, fruit based products, soups, etc.), Wheat based products (Bread, Supplementary Nutritional Products, etc.).
- **Ice Creams** include Ice Creams and Frozen Desserts.
- **Others** include Plantations, Chemicals, Agri seeds, Property Development, Water business, Ayush services etc. and the operations of Nepal Lever Limited, Nepal.

Segment Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable. In addition, the **Exports** business segment includes sales of Marine Products, Leather Products, Castor, Mushrooms, etc. as well as sales of Soaps and Detergents, Personal Products, Beverages and Foods, etc. by the Exports Division.

The above business segments have been identified considering :

- the nature of products and services
- the differing risks and returns
- the organisation structure, and
- the internal financial reporting systems.

Non cash expenses of export segment includes impairment of fixed assets. (Refer note 13 (v) of the Profit and Loss account).

2. Geographical Segments

The geographical segments considered for disclosure are as follows :

- **Sales within India** includes sales to customers located within India.
- **Sales outside India** includes sales to customers located outside India.

	2005 Rs. lakhs	2004 Rs. lakhs
3. Revenue comprise		
Sales	11565,82.60	10598,20.01
Income from services rendered (included in Other Income)	153,70.25	116,35.75
Income from property development activity (included in Other Income)	1,93.91	2,98.71
Total	11721,46.76	10717,54.47

4. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Related Party Disclosures

A. Enterprises where control exists

(i) Holding Company :

Unilever PLC

B. Other Related Parties with whom the companies in the Group had transactions, etc.

(i) Fellow Subsidiaries :

Brooke Bond Assam Estates Ltd.
 Brooke Bond Group Ltd.
 Brooke Bond South India Estates Ltd.
 Lever Faberge UK
 Unilever U.K. Central Resources Ltd.
 Unilever Overseas Holdings Ltd.
 Unilever Australia Ltd.
 Lever Brothers Bangladesh Ltd.
 Unilever Canada
 Unilever Cote d'Ivoire
 Unilever Ghana Ltd.
 Unilever Kenya Ltd.
 Unilever New Zealand Ltd.
 Lever Brothers Pakistan Ltd.
 Unilever Singapore Pte. Ltd.
 Unilever Foods Espana, S.A - Division Frigo
 Unilever South Africa (Pty.) Ltd.
 Unilever Ceylon Ltd.
 Unilever Overseas Holdings AG
 Lever Brothers West Indies Ltd.
 Unilever Research Laboratory, Port Sunlight
 Unilever Research Laboratory, Colworth House
 BB Kenya Group
 Unilever N.V.
 Unilever Overseas Holdings B.V.
 Unilever Brasil Ltda.
 Lever Chile S.A.
 Unilex Cameroon S.A.
 Unilever France S.A.
 Unilever International Paris
 Unilever Deutschland GmbH
 Lever Faberge Deutschland GmbH
 Unilever Hong Kong Ltd.
 BBL Japan K.K.
 Nippon Lever K.K.
 Sagit SPA, Italy

Fellow Subsidiaries : (Contd...)

Unilever Ethiopia
 Unilever Philippines (Prc), Inc.
 PT Unilever Indonesia TBK
 Unilever Thai Holdings Ltd.
 Unilever Thai Trading Ltd.
 Unilever Sanayi ve Ticaret Turk A. S.
 Unilever Home & Personal Care USA
 Lever Egypt SAE
 Lipton Division, Canada
 Lever Arabia Ltd.
 Lever Brothers Nigeria Ltd.
 Lipton Soft Drinks (Ireland)
 Lever Israel
 Elida P/S, Vietnam
 Unilever CR, Czech Republic
 Unilever Polska
 Lever International Marine Supplies (LIMS) BV
 Unilever Gulf Free Zone Establishment, Arabia
 Unilever (China) Limited
 Unilever South Central Europe
 Unilever Baltic LLC
 Unilever Levant, Lebanon
 Unilever Tuketim Urunleri Sat Pazarlama Ticaret A.S.
 Unilever Best Foods, Vietnam
 Unilever SNG, Russia
 Unilever Taiwan Ltd.
 Unilever Ukraine
 Unilever Tuketim Mersin Serbest Bolge Subesi, Turkey
 Towells Lever LLC, Arabia
 Binzagr Lever Limited, Arabia
 Hind Lever Chemicals Ltd. (Also an Associate)
 (Upto 31st May, 2004)
 Unilever Industries Private Limited
 Digital Securities Private Limited
 Lever Faberge France
 Unilever Tanzania Ltd.
 Unilever Cambodia Ltd.
 Lever Faberge Belgium
 Unilever Maghreb Export SA, Tunisia
 Unilever UK & CN Holdings, UK
 Lipton Ltd. - UK
 Unilever (Malaysia) Holdings Sdn. Berhad

Fellow Subsidiaries : (Contd...)

Lever Ponds Division, Canada
 Europalma International Insurance services B.V.
 Lipton US Group
 Unilever Asia Private Ltd.
 Lever Faberge Italia SPA
 Unilever United States Inc.
 Hefei Lever Detergents Co. Ltd., China
 Unilever Korea
 Unilever Vietnam
 Unilever Canada - Foods
 Unilever Algeria
 Unilever Nigeria
 Lipton Ltd. (Head Office) / Lipton Tea Supply Ltd.
 Unilever Market Development SA
 Lipton Kenya Brooke Bond
 Unilever Schweiz GmbH HPC
 Unilever Algerie
 Unilever Magyarorszag Kft
 Societe Des Produits Chimiques du Niger
 Unilever Czech Republic
 Bahrain Technical & Trading Co. W.L.L.
 Unilever Bestfoods Benelux B.V. Netherlands
 Bestfoods-Germany
 Bestfoods Nordic AS (Denmark)
 Unilever Bestfoods-Ireland
 Frozen Fish International GmbH, Germany
 Unilever Nigeria
 Unilever Russia
 Lever Brothers Zimbabwe
 Unilever Netherlands

Fellow Subsidiaries : (Contd...)

Unilever Bestfoods
 Unilever Ice Creams & Frozen Foods Ltd.
 Unilever Belgium
 Unilever Zimbabwe
 Unilever South East Africa Zambia

(ii) Joint Ventures :

Kimberly Clark Lever Pvt. Ltd.
 Quest International India Ltd.

(iii) Associate :

Vashisti Detergents Ltd.

(iv) Key Management Personnel :

M.S. Banga (upto June, 2005)
 H. Manwani (from April, 2005)
 M.K. Sharma
 A.S. Abhiraman
 A. Adhikari
 S.K. Dhall (upto March, 2005)
 G. Kapur (upto July, 2004)
 A.K. Mathur
 J.H. Mehta (upto March, 2005)
 S. Ravindranath
 D. Sehgal
 D. Sundaram
 A. Weijburg (upto April, 2004)

(v) Employees' Benefit Plans where there is significant influence :

Hindustan Lever Gratuity Fund
 The Union Provident Fund
 The Hind Lever Provident Fund
 The Hind Lever Pension Fund
 Hindustan Lever Limited Employees Superannuation Fund

Related Party Disclosures

Disclosure of transactions between the Companies in the Group and Related parties and the status of outstanding balances as on 31st December, 2005

		2005 Rs. lakhs	2004 Rs. lakhs
Holding Company	:		
	Dividend paid	397,40.34	437,14.37
	Royalty paid	62,11.45	51,09.69
	Interest on 9% Debentures	11.94	42,91.96
	Income from services rendered	121,21.33	88,25.03
	Outstanding balances :		
	- Receivables at the year end	6,91.75	9,80.83
	- Debenture Interest payable	—	21,51.69
	- 9% Debentures	—	476,88.41
Fellow Subsidiaries	:		
	Sale of finished goods / raw materials etc.	676,74.00	640,59.49
	Sale of fixed assets	—	4.50
	Sale of investments	—	185,93.97
	Interest received on sale of investments	—	4,44.08
	Royalty received	—	63.42
	Rent Received	1,10.00	1,10.00
	Income from services rendered	31,43.17	27,05.65
	Expenses shared by a fellow subsidiary	6.00	6.00
	Processing charges paid	—	18,72.92
	Purchase of goods	48,18.84	70,55.93
	Purchase of investments	—	169,88.85
	Interest paid on purchase of investments	—	3,54.53
	Advertisement Expenditure	—	10.74
	Dividend paid	170,02.14	187,02.35
	Royalty paid	1,71.77	1,55.00
	Interest on 9% Debentures	5.11	18,36.23
	9% Debenture outstanding	—	204,02.56
	Advances and loans :		
	- Receivables	166,39.98	168,92.34
	- Payables	8,57.42	14,75.40
	- Debenture interest payable	—	9,20.56
Joint Ventures	:		
	Purchase of goods	121,41.28	97,61.40
	Sale of finished goods / raw materials etc.	—	2.96
	Other income	1,43.86	1,66.86
	Advances and loans :		
	- Receivables	—	22.59
	- Payables	86.11	59.95
Associate	:		
	Processing charges paid	9,00.46	14,60.85
	Outstanding payable at the year end	—	7.11
	Outstanding receivable at the year end	19.27	—
	Sale of goods	4,83.50	3,97.57
	Purchase of goods	14,71.47	5,66.12
Key Management Personnel	:		
	Remuneration	8,45.83	12,40.69
	Rent paid	59.07	64.79
	Dividend paid	9.24	8.49
	Interest on 9% Debentures	0.01	0.70
	9% Debentures outstanding	—	7.47
	Debenture interest payable	—	0.34
	Loans - Outstanding at the year end	0.10	0.10
	- Advanced during the year	—	—
	- Repayments (including interest) during the year	—	27.20
Employees' Benefit Plans where there is significant influence	:		
	Contributions during the year	24,72.79	40,05.86
	Outstanding payables at the year end	89.63	—
	Outstanding receivables at the year end	6,57.41	17,01.90

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

	2005 Rs. lakhs	2004 Rs. lakhs
Sale of finished goods / raw materials etc.		
Unilever Gulf Free Zone Establishment	297,46.51	216,53.94
Sale of fixed assets		
Lever Brothers Bangladesh Ltd.	—	4.50
Sale of investments		
Hind Lever Chemicals Ltd.	—	173,90.05
Interest received on sale of investments		
Hind Lever Chemicals Ltd.	—	4,04.47
Royalty received		
Lever Egypt SAE	—	63.42
Expenses shared by subsidiary Companies / fellow subsidiary companies		
Digital Securities Private Limited	6.00	6.00
Rent received		
Unilever Industries Pvt. Ltd.	1,10.00	1,10.00
Processing charges paid		
Vashisti Detergents Ltd.	9,00.46	14,60.85
Hind Lever Chemicals Ltd.	—	18,72.92
Purchase of goods		
Kimberly Clark Lever Pvt. Ltd.	106,36.34	81,75.28
Lipton Ltd.	25,59.66	28,08.59
Lever Faberge Deutschland GmbH	—	19,44.65
Purchase of investments		
Hind Lever Chemicals Ltd.	—	133,64.05
Unilever Industries Private Limited	—	29,58.31
Interest paid on purchase of investments		
Hind Lever Chemicals Ltd.	—	3,16.65
Advertisement expenditure		
Unilever (Malaysia) Holdings Sdn Berhad	—	10.74
Rent paid		
M.S. Banga	9.46	18.92
H. Manwani	6.52	—
M.K. Sharma	22.50	22.50
S. Ravindranath	6.76	—
Repayments (including interest) during the year		
M.K. Sharma	—	26.92
Other income		
Kimberly Clark Lever Pvt. Ltd.	1,43.86	1,66.86
Dividend paid		
Unilever PLC	397,40.34	437,14.37
Royalty paid		
Unilever PLC	62,11.45	51,09.69
Interest on 9% Debentures		
Unilever PLC	11.94	42,91.96
9% Debentures outstanding		
Unilever PLC	—	476,88.41
Outstanding balances - payables at the year end		
Lever Faberge Deutschland GmbH	—	2,06.12
Lipton Ltd.	3,55.71	3,49.46
Unilever U.K. Central Resources Ltd.	1,36.10	2,08.03
Unilever Gulf Free Zone Establishment	—	2,00.20
Digital Securities Private Limited	1,61.19	—
Unilever N.V.	1,13.64	2,02.82
Outstanding balances - receivables at the year end		
Unilever Gulf Free Zone Establishment	55,13.59	71,06.38
Income from services rendered		
Unilever PLC	121,21.33	88,25.03
Unilever Industries Private Limited	—	15,45.98
Outstanding balances - debenture interest payable		
Unilever PLC	—	21,51.69
Remuneration		
M.K. Sharma	1,69.59	1,64.01
A. Adhikari	1,17.29	1,31.41
S. Ravindranath	1,27.74	1,41.61
D. Sundaram	1,40.03	1,41.18
D. Sehgal	88.97	—
Contributions during the year		
The Union Provident Fund	4,59.33	5,54.86
Hindustan Lever Gratuity Fund	—	10,14.97
The Hind Lever Pension Fund	10,68.98	12,53.61
Hind Lever Provident Fund	9,64.47	10,42.07

Auditors' Report to the Board of Directors of Hindustan Lever Limited

1. We have audited the attached consolidated Balance Sheet of Hindustan Lever Limited and its subsidiaries (the Group) as at 31st December, 2005 and the related consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary and a joint venture whose financial statements reflect the Group's share of total assets of Rs. 122,80.55 lakhs as at 31st December, 2005 and the Group's share of total revenues of Rs. 153,35.61 lakhs and net cash outflows amounting to Rs. 10,57.18 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this subsidiary and the joint venture, is based solely on the reports of the other auditors. The financial statements of the other joint venture whose financial statements reflect the Group's share of total assets of Rs. 79,80.93 lakhs as at 31st December, 2005 and the Group's share of total revenues of Rs. 56,77.28 lakhs and net cash inflows amounting to Rs. 21.17 lakhs for the year ended on that date as considered in the consolidated financial statements and an associate for the year ended 31st December, 2005 have been certified by their Directors, whose certificates have been furnished to us, and our opinion, in so far as it relates to amounts included in respect of the joint venture and the associate, is based solely on these certificates.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports/certificates of other auditors/directors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st December, 2005;
 - (ii) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Sharmila A. Karve
Partner
Membership No. 43229
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 14th February, 2006

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial year ending of the Subsidiary	Number of equity shares held	Extent of holding	For financial year of the Subsidiary		For the previous financial years since it became a Subsidiary	
				Profits/(losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in col. 6)	Profits/(losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company		
(1)	(2)	(3)	(4)	(5)	(6)	(7) Profits/(losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in col. 8)	(8) Profits/(losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company
Unilever India Exports Limited (Formerly Indexport Limited)	31.12.2005	25,10,000	100.00%	Rs. lakhs (5,67.89)	Rs. lakhs —	Rs. lakhs 91,33.24	Rs. lakhs 60,86.75
Bon Limited Unilever Nepal Limited (Formerly Nepal Lever Limited) - (Nepalese Rs.)	31.12.2005	1,00,00,000	100.00%	(5,40.55)	—	6.58	—
- (Indian Rs.)	15.07.2005 (Ashaad 31, 2062)	7,36,560	80.00%	15,13.60	29,46.24	53,40.37	29,08.82
Modern Food Industries (India) Limited	31.12.2005	1,47,550	100.00%	9,46.00 (15,05.68)	18,41.40	33,37.73 (79,37.12)	18,17.45
Doom Dooma Tea Company Limited*	31.12.2005	5,00,000	100.00%	(6,11.73)	—	20.95	—
(Formerly Daverashola Tea Company Limited)							
Pond's Exports Limited	31.12.2005	98,00,147	100.00%	90.48	—	1,31.66	—
Tea Estates India Limited*	31.12.2005	50,00,000	100.00%	(8,68.10)	—	7.45	—
(Formerly Thiashola Tea Company Limited)							
Unilever India Shared Services Limited (Formerly Indigo Lever Shared Services Limited)	31.12.2005	5,000	100.00%	1,40.36	—	(3,30.69)	—
Modern Food and Nutrition Industries Limited**	31.12.2005	50,006	100.00%	(0.11)	—	(4.99)	—
Hindustan Kwallity Walls Foods Private Limited	31.12.2005	50,000	100.00%	(19.71)	—	—	—

Changes in Company's interest in Nepal Lever Limited between 16th July, 2005 and 31st December, 2005 : **NIL**

* Material changes between 16th July, 2005 and 31st December, 2005 in respect of the fixed assets of, investments of, moneys lent and moneys borrowed (other than meeting current liabilities) by Nepal Lever Ltd. : **NIL**

** The Company has sold its entire holding in these companies during the first quarter of 2006.

** All shares are held by Modern Food Industries (India) Limited.

Note : Hindustan Lever Limited held the whole of the paid-up capital of Levers Associated Trust Limited, Levindra Trust Limited and Hindlever Trust Limited which were non-profit making organisations.

M. K. Sharma	Vice Chairman
D. Sundaram	Finance Director
Raju Thomas	Vice President - Finance
Ashok Gupta	Company Secretary

Mumbai : 14th February, 2006

CODE OF CONDUCT

(As evolved by the Industry)

The Company has adopted a Code of Conduct specifically for the members of the Board of Directors and/or members of the Senior Management of the Company, which sets out as follows :

- To act in the best interests of, and fulfill fiduciary obligations to the Company; act honestly, fairly, ethically and with integrity, conduct themselves in professional, courteous and respectful manner and not take improper advantage of the position of Director;
- To comply with all applicable laws, rules and regulations;
- To act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgement to be subordinated;
- To act in a manner to enhance and maintain the reputation of the Company;
- To disclose any personal interest that they may have regarding any matters that may come before the Board and abstain from discussion, voting or otherwise influencing decision on any matter in which the concerned Director has or may have such interest;
- To respect the confidentiality of information relating to the affairs of the Company acquired in the course of their service as Directors, while continuing as such a Director and even after ceasing to be such a Director, for a reasonable period of say two years, except when authorised or legally required to disclose such information;
- Restrain from using the Company's property or position for personal gain;
- Avoid using any information or opportunity received in the capacity as Directors for personal gain, or in a manner that would be detrimental to the Company's interests;
- Abstain from discussion, voting or otherwise influencing decision on any matters that may come before the Board in which they may have a conflict or potential conflict of interest.
- Not to use confidential information acquired in the course of their service as Directors for their personal advantage or for the advantage of any other entity in which they have a direct or indirect interest, or where they occupy a position of board or executive responsibility with influence over their decisions;
- Help create and maintain a culture of high ethical standards and commitment to compliance.

No Director shall seek, or accept, any gifts or incentives in their capacity as Director of the Company, except what is duly authorised as acceptance under the Company's Gift Policy.

A Director who has concerns regarding compliance with this Code should raise such concerns with the Chairman of the Board who will deal with the same. No waiver or suspension of any or all requirements of this Policy, or any modifications of this policy, shall be valid unless approved by the Board and formally minuted with reasons for such action.

Directors will annually sign a confirmation that they have read and will comply with this Code.

This Code shall be in addition to the Code of Business Principles of the Company, copy of which is annexed herewith.

Our principles

Our code of business principles describes the operational standards that everyone at Unilever follows, wherever they are in the world. It also supports our approach to governance and corporate responsibility.

Code of business principles

Standard of Conduct

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law

Unilever companies and our employees are required to comply with the laws and regulations of the countries in which we operate.

Employees

Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our Company. We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour. We are committed to working with employees to develop and enhance each individual's skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communication with employees through company based information and consultation procedures.

Consumers

Unilever is committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders

Unilever will conduct its operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business Partners

Unilever is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own.

Community Involvement

Unilever strives to be a trusted corporate citizen and, as an integral part of society, to fulfill our responsibilities to the societies and communities in which we operate.

Public Activities

Unilever companies are encouraged to promote and defend their legitimate business interests. Unilever will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests. Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

The Environment

Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation

In our scientific innovation to meet consumer needs we will respect the concerns of our consumers and of society. We will work on the basis of sound science, applying rigorous standards of product safety.

Competition

Unilever believes in vigorous yet fair competition and supports the development of appropriate competition laws. Unilever companies and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

Business Integrity

Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management. Unilever accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interests

All Unilever employees are expected to avoid personal activities and financial interests which could conflict with their responsibilities to the Company. Unilever employees must not seek gain for themselves or others through misuse of their positions.

Compliance - Monitoring - Reporting

Compliance with these principles is an essential element in our business success. The Unilever board is responsible for ensuring these principles are communicated to, and understood and observed by, all employees. Day-to-day responsibility is delegated to the senior management of the regions and operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs. Assurance of compliance is given and monitored each year. Compliance with the code is subject to review by the board supported by the audit committee of the board and the corporate risk committee. Any breaches of the code must be reported in accordance with the procedures specified by the joint secretaries. The board of Unilever will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions. The board of Unilever expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

In this code the expressions 'Unilever' and 'Unilever companies' are used for convenience and mean the Unilever Group of companies comprising Unilever N.V., Unilever PLC and their respective subsidiary companies. The board of Unilever means the directors of Unilever N.V. and Unilever PLC.

[illegible]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



I believe that nothing can be greater than a business,
however small it may be, that is governed by conscience;
and that nothing can be meaner or more petty than a business,
however large, governed without honesty and without brotherhood.

- The First Viscount Leverhulme



HINDUSTAN LEVER LIMITED