

# Report and Accounts 2006



**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.

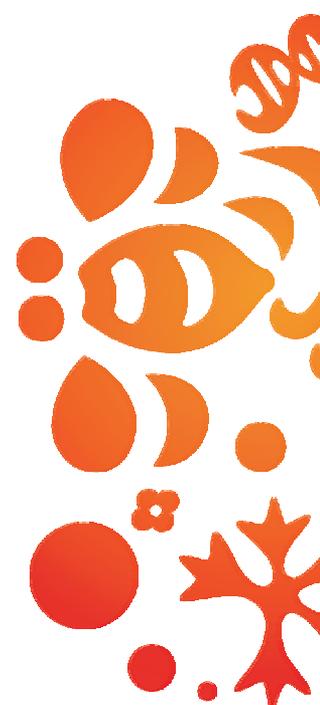
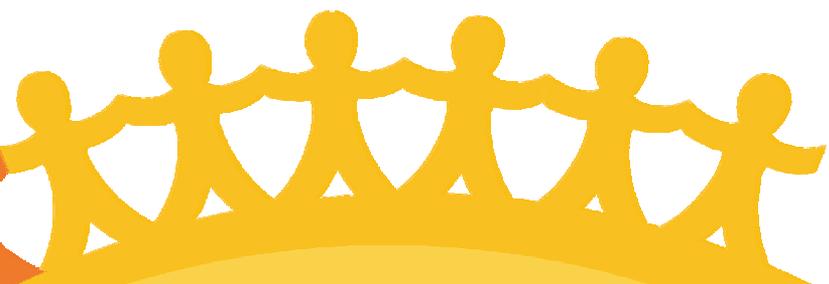
Our deep roots in local cultures and markets give us our strong relationship with consumers and are the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers - a truly multi-local multinational.

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.

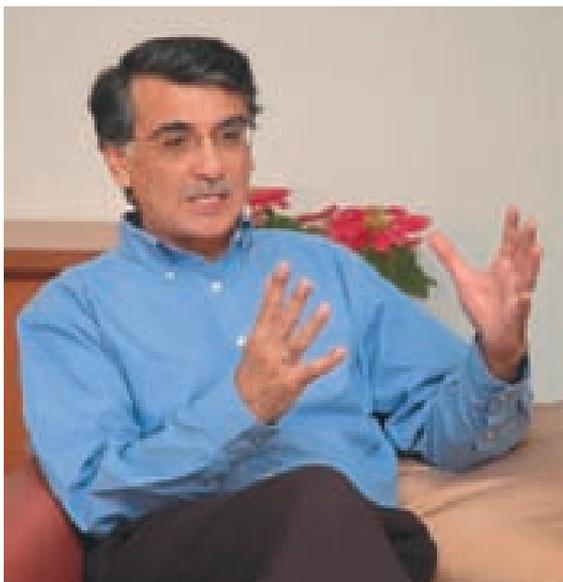
This is our road to sustainable, profitable growth, creating long-term value for our shareholders, our people, and our business partners.





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# Letter From The Chairman

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**Dear Shareholders,**

I extend my warm greetings to all of you and have great pleasure in introducing the Seventy Fourth Annual Report and Audited Statement of Accounts for 2006.

I am happy to report that following our return to top line growth in 2005, your Company has continued this momentum in 2006 and delivered a double digit sales growth whilst improving operating margin.

The India growth story continues, and the economy posted a strong GDP growth in excess of 8% in 2006. FMCG markets continued to show good momentum aided by buoyant demand for your Company's products in rural markets. The recent developments viz. increasing levels of inflation and hardening interest rates are areas of concern due to their potential impact on markets and consumer spending. I, however, believe these issues are receiving due consideration and action from the Government.

Your Company's continuing operations grew strongly by 10%. Domestic FMCG business performed even better with a 12.8% sales growth, adding an incremental turnover of over Rs. 1200 crores. Growth was broad based

across both HPC and Foods categories. Key brands achieved significant growth, and market shares in all major categories showed encouraging positive movements, particularly in the intensely competitive categories of Laundry and Shampoos.

Consumer relevant innovations, brilliant activation and outstanding execution were key drivers for our growth. Our brands have also been strengthened by competitive levels of Advertising and Promotional spend, which has increased by Rs.450 crores over the last two years. These investments and actions continue to sharpen our competitiveness by strengthening our brand portfolio in key categories. Equally, selective price increases, a favourable sales mix and robust cost effectiveness programmes more than neutralised cost escalation during 2006, leading to a 80 bps increase in operating (PBIT) margin.

Building strong capabilities is an ongoing and important agenda for your Company with very significant investments being made in the Sales and Supply Chain functions. Our ability to fully exploit the opportunities presented by the emerging modern trade has been significantly strengthened. Simultaneously, in general trade, which is the bedrock of our business, substantial investments have been made in Information Technology to improve both customer connectivity and the competitiveness of our distribution system. Customer Service will be a key competitive differentiator and your Company is investing to ensure that we lead in this critical area.

Last year, I shared our plans to extend our initiatives in Water and Project Shakti. 'Pureit' is a technologically advanced in-home water purifier that provides an extremely effective and cost efficient way of delivering safe drinking water without the use of continuous tap water supply or electricity. After a very successful test market in Tamil Nadu, Pureit has been extended to Karnataka and Andhra Pradesh, and will be further rolled out in other states in 2007.

Project Shakti now has over 30,000 women entrepreneurs (Shakti ammas) selling our products in 100,000 villages in 15 states. This is providing empowerment and a much needed income opportunity to rural women folk and simultaneously increasing the penetration of your Company's products where there is no

developed retail network. Project Shakti demonstrates what can be achieved at the point where social responsibility, sustainability and business strategy all meet.

The “One HLL” programme was further consolidated with the Foods business, which was operating from Brookefields, Bangalore, moving to Mumbai with significant operational and synergistic benefits. The Company's top structure (Management Committee), under the leadership of CEO Douglas Baillie, was reconstituted to represent key Business units and an integrated functional support on a “One HLL” basis.

In order to further leverage scale and synergies of integrated business operations, your Board has decided to move the Corporate Office to a new state-of-the-art campus to be built at Andheri, Mumbai, on a 12.6 acre site owned by the Company. This move will integrate all existing business offices of the Company at both Bangalore and Mumbai and this transition will be completed during 2008.

Developing and Emerging (D&E) markets are a key priority for Unilever and, in 2006, accounted for over 40% of Unilever's turnover and a substantial contribution to its overall growth. As one of the largest operations in a very important fast growing D & E market like India, your Company will continue to benefit from the strong Regional and Global support from Unilever, and access to its intellectual properties, technology, brands and human capital. Unilever also provides global opportunities to several Hindustan Lever managers as part of the ongoing management development programme and recognition of the high calibre of management talent in your Company.

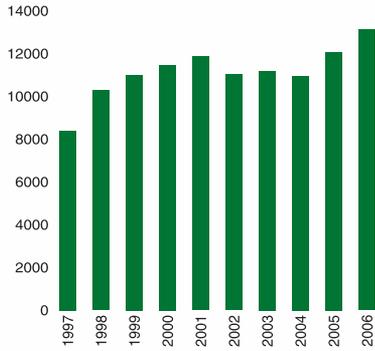
I wish to thank you for your ongoing support and commitment in 2006. As we look forward to another exciting year in India, I am sure I can continue to count on your collective support in all our endeavours.

With kind regards

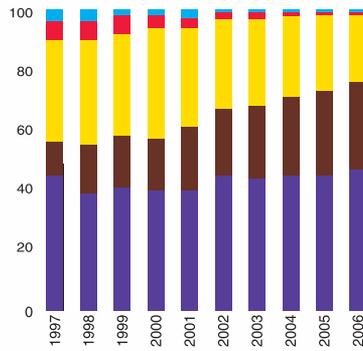


Harish Manwani

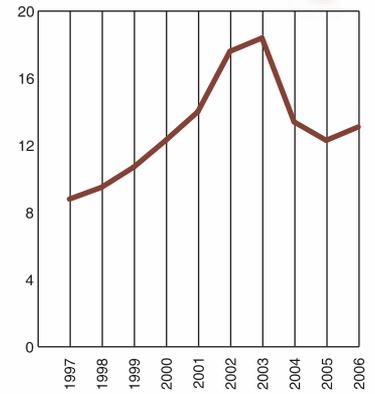
# Performance Trends 1997-2006



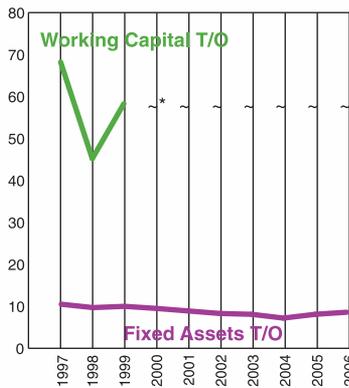
**Gross Sales**  
(Rs. Crores)



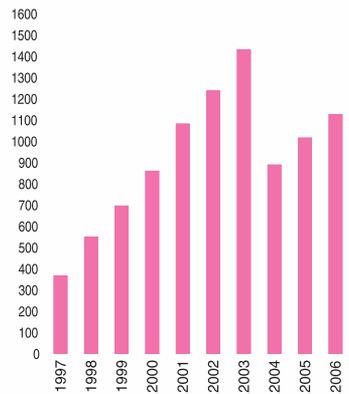
**By Segment as % of Sales**



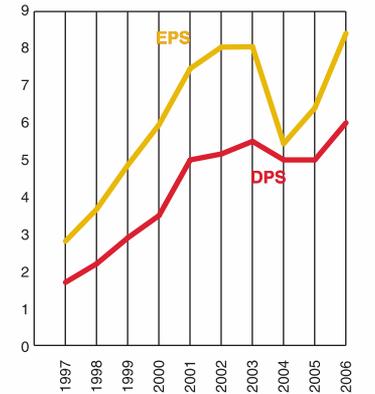
**EBIT as % of Sales**



**Fixed Asset Turnover**  
(No. of Times)



**Economic Value Added (EVA)**  
(Rs. Crores)



**Earnings & Dividend per Share**  
(Rs.)

|   | 1997 | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  |
|---|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross Sales (Rs. Crores)                    | 8343 | 10215 | 10918 | 11392 | 11781 | 10952 | 11096 | 10888 | 11976 | 13035 |
| <b>By Segment % of Sales</b>                |      |       |       |       |       |       |       |       |       |       |
| Soaps, Detergents & Household Care          | 45   | 39    | 41    | 40    | 40    | 45    | 44    | 45    | 45    | 47    |
| Personal Products                           | 11   | 16    | 17    | 17    | 21    | 22    | 24    | 26    | 28    | 29    |
| Foods                                       | 34   | 35    | 34    | 37    | 33    | 30    | 29    | 27    | 25    | 22    |
| Chemicals, Agri, Fertilisers & Animal Feeds | 6    | 6     | 6     | 4     | 3     | 2     | 2     | 1     | 1     | 1     |
| Others                                      | 4    | 4     | 2     | 2     | 3     | 1     | 1     | 1     | 1     | 1     |
| EBIT as % of Sales                          | 8.8  | 9.5   | 10.7  | 12.3  | 14.0  | 17.6  | 18.4  | 13.4  | 12.3  | 13.1  |
| Fixed Assets Turnover (times)               | 10.5 | 9.7   | 10.0  | 9.5   | 8.9   | 8.3   | 8.1   | 7.2   | 8.1   | 8.6   |
| Working Capital Turnover (times)            | 68.2 | 45.2  | 58.3  | ~*    | ~     | ~     | ~     | ~     | ~     | ~     |
| Economic Value Added (EVA) (Rs. Crores)     | 365  | 548   | 694   | 858   | 1,080 | 1,236 | 1,429 | 887   | 1,014 | 1,125 |
| E.P.S. of Re. 1 @                           | 2.81 | 3.67  | 4.86  | 5.95  | 7.46  | 8.04  | 8.05  | 5.44  | 6.40  | 8.41  |
| D.P.S. of Re. 1 @                           | 1.70 | 2.20  | 2.90  | 3.50  | 5.00  | 5.16  | 5.50  | 5.00  | 5.00  | 6.00  |
| P.A.T./Sales (%)                            | 7.0  | 8.2   | 9.8   | 11.5  | 13.1  | 15.8  | 16.3  | 11.0  | 11.3  | 11.8  |
| R.O.C.E. (%)                                | 51.2 | 49.0  | 51.0  | 53.8  | 52.8  | 51.8  | 53.0  | 40.8  | 62.3  | 61.1  |
| R.O.N.W. (%)                                | 46.0 | 48.9  | 50.9  | 52.7  | 53.9  | 48.4  | 82.8  | 57.2  | 61.1  | 68.1  |

@ Adjusted for bonus issue

\* Denotes working capital is negative

## Board of Directors



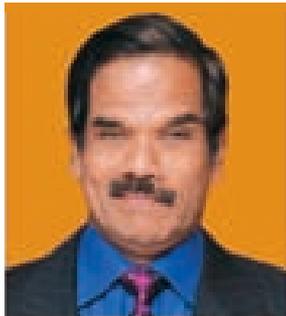
**Harish Manwani**  
Chairman



**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
- Union Bank of India

## Management Committee

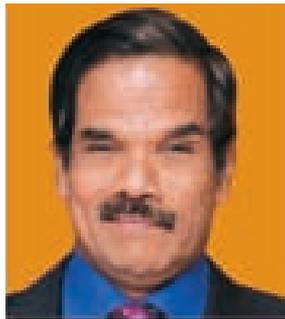
**Douglas Baillie**  
Chief Executive Officer &  
Managing Director



**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



**Sanjiv Kakkar**  
Executive Director  
Foods



**Nitin Paranjpe**  
Executive Director  
Home & Personal Care



## Report of the Directors and Management Discussion & Analysis

To the Members,

Your Directors have great pleasure in presenting the Seventy Fourth Annual Report together with the Audited Statements of Accounts for the year ended December 31, 2006.

### 1. PERFORMANCE OF THE COMPANY

#### 1.1 Results

Your Company's performance during 2006 is summarised below :

Rs. Lakhs

|   | 2006             | 2005      |
|---|------------------|-----------|
| Turnover, net of excise                       | <b>12103,39</b>  | 11060,55  |
| Profit before tax                             | <b>1861,68</b>   | 1604,47   |
| Tax on profits                                | <b>(322,01)</b>  | (249,96)  |
| Exceptional Items                             | <b>315,70</b>    | 53,60     |
| Net profit                                    | <b>1855,37</b>   | 1408,11   |
| Dividend (incl. tax on distributed profits)   | <b>(1511,38)</b> | (1260,25) |
| Transfer to General Reserve                   | <b>(191,00)</b>  | (142,00)  |
| Profit & Loss Account balance carried forward | <b>803,65</b>    | 650,66    |

#### 1.2 Key Ratios

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

|                          | 2006                               | 2005                        |
|--------------------------|------------------------------------|-----------------------------|
| Earnings per share (Rs.) | <b>8.41</b>                        | 6.40                        |
|                          | <b>(per share of Re. 1/- each)</b> | (per share of Re. 1/- each) |
| Dividend per share (Rs.) | <b>6.00</b>                        | 5.00                        |
|                          | <b>(per share of Re. 1/- each)</b> | (per share of Re. 1/- each) |
| Return on Net worth (%)  | <b>68.1%</b>                       | 61.1%                       |

#### 1.3 Turnover

Turnover, net of excise, in respect of continuing businesses increased by 10.0% over previous year. This increase arose from higher sales volume, better sales mix, price increases effected by the Company and effects of fiscal and taxation changes during the year. The details of Sales, net of excise, and Other Revenue by segments, appears below:

Rs. Lakhs

|                    | 2006           |              | 2005    |         |
|--------------------|----------------|--------------|---------|---------|
|                    | Sales          | Others@      | Sales   | Others@ |
| Soaps & Detergents | <b>5563,41</b> | <b>32,48</b> | 4928,94 | 32,77   |
| Personal Products  | <b>3309,65</b> | <b>50,14</b> | 2907,88 | 44,00   |

|                              | 2006              |               | 2005       |         |
|------------------------------|-------------------|---------------|------------|---------|
|                              | Sales             | Others@       | Sales      | Others@ |
| Beverages                    | <b>1325,96</b>    | <b>4,78</b>   | 1277,35    | 9       |
| Foods                        | <b>380,46</b>     | <b>4,45</b>   | 313,72     | —       |
| Ice Creams                   | <b>134,42</b>     | <b>2,65</b>   | 97,03      | 1,11    |
| Exports                      | <b>1278,88</b>    | <b>—</b>      | 1347,80    | —       |
| Others                       | <b>120,11</b>     | <b>60,14</b>  | 195,10     | 55,37   |
| Less : Inter segment revenue | <b>(950)</b>      | <b>—</b>      | (7,27)     | —       |
| Total                        | <b>* 12103,39</b> | <b>154,64</b> | * 11060,55 | 133,34  |

@ The other revenue represents service income from operations, relevant to the respective businesses.

\* Includes sales from discontinued business, Rs. 78,20 lakhs in 2005 and Rs. 21,71 lakhs in 2006.

#### 1.4 Summarised Profit and Loss Account

Rs. Lakhs

| For the year ended 31 December,              | 2006              | 2005      |
|--|-------------------|-----------|
| Net sales                                    | <b>12103,39</b>   | 11060,55  |
| Other operational income                     | <b>191,46</b>     | 152,49    |
| Total  | <b>12294,85</b>   | 11213,04  |
| Operating expenses                           | <b>(10455,33)</b> | (9617,22) |
| <b>PBDIT</b>                                 | <b>1839,52</b>    | 1595,82   |
| Depreciation                                 | <b>(130,16)</b>   | (124,45)  |
| <b>PBIT</b>                                  | <b>1709,36</b>    | 1471,37   |
| Interest income (net)                        | <b>152,32</b>     | 133,10    |
| <b>PBT</b>                                   | <b>1861,68</b>    | 1604,47   |
| Taxation : Current tax                       | <b>(260,00)</b>   | (223,00)  |
| Taxation : Deferred tax                      | <b>(26,80)</b>    | (41,00)   |
| Taxation : Fringe Benefit Tax                | <b>(35,00)</b>    | (30,00)   |
| Taxation adjustments of previous years (net) | <b>(21)</b>       | 44,04     |
| <b>PAT (bei)</b>                             | <b>1539,67</b>    | 1354,51   |
| Exceptional items (net of tax)               | <b>315,70</b>     | 53,60     |
| <b>Net profit</b>                            | <b>1855,37</b>    | 1408,11   |

### 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;

- c) 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;
- d) that they have prepared the annual accounts on a going concern basis.

### **3. CORPORATE GOVERNANCE**

Your Company has been practising 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.

Your Company has been in compliance with all the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, and a certificate from the auditors to this effect is enclosed as a part of the Corporate Governance Report.

In terms of sub-clause (v) of Clause 49 of Listing Agreement, certificate of the CEO/CFO, inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause, is also enclosed as a part of the said Report.

### **4. CHANGE IN THE ORGANISATION STRUCTURE**

The organisation structure of your Company was simplified during the year by doing away with the two Divisional Management Committees for HPC and Foods headed by respective Managing Directors and a National Management Committee comprising Mr. M.K. Sharma, Mr. D. Sundaram, Mr. Arun Adhikari and Mr. S. Ravindranath. The structure was replaced by the appointment of a single 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. In line with this, the distinct and separate structure for HPC & Foods Divisions were merged and the relevant personnel from the Foods Division, which had its corporate office at Brookefields in Bangalore, relocated to Mumbai.

The New Ventures structure is also being discontinued from February 1, 2007. Shakti is being fully integrated with the Customer and Sales function to better harness synergies in the Rural areas, and HLL Network and the Consumer Health Care (Ayush) businesses are being incorporated with HPC. Water will continue as an independent business reporting to the CEO.

### **5. NEW CORPORATE OFFICE**

In order to leverage scale and synergies of integrated business operations, your Board has decided to move its Corporate Offices to a new state-of-the-art campus to be built at Andheri, Mumbai on a 12.6 acre site owned by the Company. This move will integrate all existing business offices of the Company at both Bangalore and Mumbai and the transition will be completed during 2008. The new campus will have a built-up area of approx. 8,80,000 sq. ft. and will entail an expenditure of approx. Rs. 375 crores over two years.

This is a significant step forward to bring the scale and might of the Company to win in the market place. A unified corporate office will help to further integrate business processes and leverage scale and synergies across the organisation. It will enable the Company to drive a single-purpose agenda to win with its consumers and customers.

The Company's Foods and Beverages, Home and Personal Care businesses as well as Finance, HR, Sales & Customer development, Supply Chain, Legal & Secretarial, and the Regional Category functions and Training Centres will work together in the proposed new campus. This co-location will also harness synergies between Regional Category teams and the operating company. The R&D Centre at Bangalore and certain IT resources will, however, continue to operate from Bangalore.

The transition to the new office is being done in two phases. In Phase 1, the Bangalore Foods team was relocated in January 2007 to the Mumbai Head Office. In Phase II, the Mumbai Head Office and Training Centre will be relocated to the new Andheri campus during 2008.

The new campus will be built to a single purpose – of creating an inspiring work environment. It will be a facility that will tangibly demonstrate what Company stands for as an organisation, befitting Company's stature as India's largest and most successful FMCG Company and as one of India's pre-eminent corporations.

This move will be cashflow positive, since it will release valuable real estate at Bangalore and Mumbai for disposal, which is expected to yield higher realisation than the proposed investment in the new corporate office.

## 6. PROPOSED NAME CHANGE TO HINDUSTAN UNILEVER

The Board has proposed, subject to shareholders approval, the change of the Company name from Hindustan Lever Limited to Hindustan Unilever Limited.

While the Explanatory Statement appended to the Notice of Annual General Meeting deals with the logic and rationale elaborately, it is appropriate to reiterate that the Company believes that the proposed name provides the optimum balance between maintaining the heritage of the Company and the future benefits and synergies of global alignment with the corporate name of Unilever. Most importantly, the proposed name retains "Hindustan" as the first word in its name to reflect the Company's continued commitment to local economy, consumers, customers and employees.

The proposed alignment of the corporate name with Unilever will be a source of considerable strength and synergies to harness Unilever's global scale and size for the benefit of the Indian business, both in domestic and export markets. It would also assist in attracting and retaining talent both locally and internationally – a key imperative for business success in the present day context.

The Company has adopted and subscribed to a vision Statement: "To earn the love and respect of India by making a real difference to every Indian". The Company remains committed to pursue this vision as it believes that this will not only be key to its business success, but would also make business sustainable and enduring by giving the Company, its employees and business partners an inspirational goal beyond sales and profits.

## 7. 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.

## 8. PRODUCT CATEGORIES

This report records the business performance of the Company in a simplified structure with a sharper focus on key brands and categories in (i) the combined Home and Personal Care (HPC) Division and (ii) an integrated Foods Division, comprising Beverages, Foods, and Ice Cream businesses. New Ventures and Speciality Exports continued to operate outside these two divisions during the year under review and have accordingly been dealt with separately.

### 8.1 Home and Personal Care Business

HPC markets grew well in 2006. 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 & commodity prices for the third year in succession.

Given this context, your Company's HPC sales on a continuing basis grew by a robust 13.7%. In response to the competitive intensity and to further strengthen our brands Advertisement & Promotion investments of the Company increased by 27%. The segmental profit of the business recorded strong growth despite the impact of higher input costs and significant increases in brand investments.

#### 8.1.1 Soaps & Detergents

In the Soaps & Detergents segment, your Company's sales grew by 12.9%.

##### Fabric Wash

Fabric wash, like in 2005, was intensely competitive. Higher crude oil price resulted in cost inflation for the third consecutive year. Judicious price increases and aggressive cost effectiveness measures taken by your Company helped neutralise this inflation, which given the circumstances was a significant achievement.

Against this background, Laundry achieved a double digit sales growth for the second year in succession. During the year, Surf Excel was relaunched with a significantly improved formulation and packaging which helped the brand grow strongly and improve its key Mind Measure parameters. The Surf Franchise's "Daag aache hain" (dirt is good!) campaign was extended with a new 10 / 10 (dirt removal) campaign, which further helped strengthen its emotional connect with the consumers. In 2006, your business also took active initiatives to migrate Rin Supreme Bar to Surf Excel Bar in Tamilnadu to simplify the Rin brand architecture. The Company is planning to extend this across all geographies in 2007.

Wheel driven by strong activations like "Smart Shrimathi" (Smart Housewife) and "Budget ka Jadoo" (magic of Budget) continued to be the biggest brand of your Company with sales in excess of Rs. 1,000 crores. The path breaking Smart Shrimathi campaign on Doordarshan backed by powerful and relevant activation in over 30,000 villages resulted in Wheel gaining 50 bps market share and significantly strengthening its key attributes and consumer loyalty.

In summary, in a highly competitive market and difficult cost environment, your Company has delivered growth ahead of market. However, margins and profitability in this category continue to be a challenge given the intensity of the competitive scenario.

### **Dish Wash**

The 'polycoated' Vim Dishwash Bar continued to perform well during 2006 and helped the brand retain its strong leadership position despite competition from low cost and regional players. During the year, your Company initiated a Test Market of Vim Dishwash Liquid. The initial results look encouraging and the Company is planning to pursue this format across geographies.

### **Personal Wash**

In a growing market, the business continued to witness intense competition from local and regional players. Despite this, 2006 was another good year for your Company with both volume and value showing competitive growth. Advertising & Promotion spends were increased to further strengthen the portfolio, and the business exited the year with strong market shares. Vegetable Oil costs remained largely stable during the year. However, they started firming up towards the end of the year requiring price increases to offset input cost inflation.

During the year, your Company's biggest soap brand, Lifebuoy, was relaunched with improved formulation and packaging. Coupled with excellent activation under the "Health and Hygiene" platform in urban markets and "Swasth – Chetna" (Health Awareness) program in the rural markets, this brand grew well in 2006. The Indian Postal Authorities recognised the contribution of the brand to society through its Swasth – Chetna programme, by the release of a Postal Cover.

During the year 2005, Lux celebrated its 75th year of existence in India. This occasion was used to launch various activation programs aimed at strengthening the brands leadership and consumer intimacy. Variants like "White Glow" and the "Uplifting Bar" along with limited edition celebration packs (Aqua Sparkle & Chocolate Seduction) helped the brand grow and sustain momentum through 2006.

During the year, Dove bar expanded its range with the roll out of new variants. Also, Hamam Ubtan was introduced in the southern states. Further, the entire Breeze portfolio was relaunched during the latter half of the year and is expected to arrest volume decline of the brand.

In 2006, your Company invested in building the liquid soap format by introducing new variants in Lux and Dove body wash as well as new Lifebuoy hand wash liquids. These were well accepted and promise to play a significant role in upgrading consumers, and in driving value growth for the category in future.

### **8.1.2 Personal Products**

In the Personal Products segment, continuing sales grew by 15.7%.

#### **Hair**

In the highly competitive Hair Wash category, your Company delivered strong growth with all three main brands, viz., Clinic Plus, Clinic All Clear and Sunsilk growing in double digits.

The entire Sunsilk shampoo portfolio was relaunched at the beginning of 2006 followed by an outstanding activation through Sunsilk Gang of Girls ([www.sunsilkgangofgirls.com](http://www.sunsilkgangofgirls.com)). This helped the brand to identify and uniquely connect with its target group. During the year, Sunsilk entered the top end segment with the launch of a range of wash-off and leave-on conditioners under the "Colour Shine" and "Hair Expert" positions. This has enabled the brand to expand its imprint from hair wash to a broader hair care position.

Clinic Plus performed strongly further consolidating its Family Health position and overall market leadership. Sachets continued to remain a key growth driver and are playing an important role in building category penetration and consumption.

Clinic All Clear continued to deliver competitive growth driven largely on the back of successful variant launches like the Ice-cool variant (with Menthol). Also the Hair Fall defense (Black) variant introduced in 2005 continued to perform well.

#### **Skin Category**

2006 was another good year for the skin care category with a strong all-round performance by creams, lotions and talc.

Having relaunched in 2005 the core of the Fair & Lovely brand, 2006 was devoted to strengthening the variants under the Fairness credentials. A new variant, Menz, targeted at males was introduced during the year, and FAL Active Sun block performed strongly in the sunscreen segment. Further, in 2006 the entire Anti Marks range was relaunched as Skin Clarity with the proposition of blemish-free skin. These launches coupled with innovative consumer activations like the "fairness meter" helped the brand grow well in 2006.

During the year, significant investments were made in the Ponds brand to introduce a new top end mix, and to provide a world class buying experience for the top end consumers. New products to address the anti-ageing, moisturising and skin lightening needs were introduced. The category made significant investments in creating the right infrastructure at the front-end for selling top end products. These investments were both in technology and equipment for evaluating skin type as well as in skilled manpower to recommend beauty solutions based on skin analysis. Ponds cold cream with an improved formulation and attractive packaging was relaunched during the year and a full range of Pond's facial wash products was introduced with impressive results. Talcum powder had a good year, driving category penetration in rural markets through the Rs. 5 pack.

Vaseline has continued to benefit from its successful repositioning as an "all season brand" away from an "exclusive winter brand" through the launch of Aloe fresh in summer. Vaseline Lotion mix underwent a full packaging and formulation relaunch at the start of winter. These innovations led to a strong double digit growth in 2006.

Lakme Skin continued to grow strongly. The entire range has been upgraded with a relaunch just before the start of the winter season.

### **Colour Cosmetics**

Lakme continued to perform well driven by a steady flow of innovations and the integrated approach in supporting the full Lakme franchise. The Lakme Fashion platform, now twice every year, has given the brand a vibrant and contemporary image. Lakme Salons now have a significant presence operating from 88 locations across the major metro centres.

### **Deodorants**

The category is small and undeveloped, and is poised to benefit from the rise in consumer disposable incomes.

The agenda to build the category was driven through the introduction of an affordable and efficacious product, Rexona Deo roll-on priced at Rs.30 for 25 ml. The product launch was accompanied by a nationwide thematic campaign which emphasised the need to capitalise on opportunities without the setback of body odour. A large sampling programme has been instrumental in driving penetration and usage across colleges and workplaces.

Axe saw the launch of a new variant – Click, which met with tremendous success and resulted in strengthening the iconic character of the brand amongst its target group. The brand also made successful forays into new communication vehicles such as mobile application episodes, SMS activated consumer promotions, and ownership of unique channels such as post-card distribution and out of home clusters - cafes, malls and multiplexes.

### **Toothpaste**

In a highly competitive year, Close Up grew ahead of the market and delivered a double digit sales growth. This was led by the introduction of Milk Calcium variant, which helped the Brand increase its market share in its key markets of South India. During the year, the entire Pepsodent germi-check range was relaunched as "Pepsodent Complete", followed by an excellent activation around fighting "10 teeth and gum problems". This helped the brand to grow during the year.

### **8.1.3 Kimberly Clark Lever Pvt. Ltd**

Kimberly Clark Lever Pvt. Ltd (KCLL), the joint venture between your Company and Kimberly Clark Corporation, USA, had yet another year of good performance. Turnover grew by 17.5% to Rs.125 crores aided by volume growth of 13.5%. This was the fourth consecutive year of double digit volume growth for the JV. High profitability enabled the JV to declare its second consecutive dividend, which was 20% higher than the previous year.

Huggies was re-launched during the year, and continued its leadership status. The Fem Care category recorded a 10% volume growth, amidst competitive pressures, primarily driven by the economy segment.

### **8.1.4 Home and Personal Care (HPC) Exports**

HPC exports business grew by 23.5% recording a turnover of Rs. 434 crores, despite an appreciation of the Rupee against most major currencies. Growth was based on strong competitive business gains in Oral Care exports, which grew by 46%. The Skin Care business grew by 10%, and both these categories have been sustaining growth momentum for the past few years.

Your Company has been making a strong pitch for becoming a sourcing hub for Unilever and is being considered for various global projects. Going forward, there are robust growth plans based on the projects in the pipeline for manufacturing of various high end skin care products in India. Pears soap for which your Company has secured rights to market in most parts of

the world, recorded a growth of 10%. While the business will continue to be challenged by other low cost sources in Asia, your Company is confident of retaining and securing business opportunities given its past record of quick roll out of new innovations and its export skills. Buoyancy in HPC exports is expected to be sustained.

## **8.2 Foods**

The Foods Division of your Company (comprising the Beverages, Processed Foods and Ice Cream businesses) recorded good growth in 2006, with significant improvement in profitability. The business continues to drive operational efficiencies and cost synergies for growing profitably.

The highlights of the product categories are given below:

### **8.2.1 Processed Foods**

The Packaged Foods business delivered a robust performance during 2006. This was on the back of a good 2005, reflecting sustained momentum in the Kissan, Knorr and Annapurna brands.

Kissan was relaunched with a new strategic positioning, improved packaging and a superior formulation, which significantly enhanced the quality of the product.

Simultaneously, the Company focused on improving delivered freshness of processed foods to consumers with an improved supply chain that led to drop in pipe line stocks in depots and with trade. This had a positive effect on consumer acceptance and offtake that led to share improvements and stronger brand equity.

Knorr soups enjoy a large share in the nascent and small soup market and held that position during 2006. A new range of international quality soups were introduced during the year. Simultaneously, a new campaign to encourage soup consumption at various moments in the day has been well received by consumers and customers. This will help the business to build volumes through higher consumption.

The staples business of Annapurna (Salt and Atta) also grew at a steady pace.

With a strong momentum behind all brands and categories, your Company looks forward to 2007 with hope and excitement for this business.

### **8.2.2 Tea**

The packet tea market continued to be extremely competitive with national, regional and local players vying for increased share and volumes. Prices of garden tea remained stable during the year, but have begun to firm up towards the later part of the year.

Our strategy of investing in building Brooke Bond as a mega brand to consolidate and strengthen your Company's leadership in the packet tea market helped Brooke Bond maintain its leadership during the year. In 2006, Brooke Bond Taj Mahal and Brooke Bond Taaza were successfully re-launched. Aggressive Brand building support behind Brooke Bond Red Label Natural Care has established Natural Care as a significant variant within the portfolio. The focus on brand building, and innovation has helped your Company to sustain its leadership position in the overall category and exit the year with a growth momentum.

Lipton continued to grow strongly in the Out-of-Home, Vending Channel through acquisition of some major regional and national clients, and by strong activation at key consumer points.

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

### **8.2.3 Coffee**

The Coffee business had another excellent year, led by strong growth in Instant Coffee. 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 gain further consolidating its leadership position within the branded coffee market. Bru Cappuccino continues to help Bru recruit new consumers into its franchise and consolidate Bru's channel leadership particularly in Modern Trade. The Re. 1 and Rs. 3 low unit price packs continue to contribute significantly to the brand's growth and drive category expansion.

The coffee category, particularly Instant Coffee, continued to be extremely competitive with national players securing growth in volumes and market share. Ground and Roasted coffee, predominantly confined to South India, faced competition from local and regional players. There is a perceptible trend of increasing number of consumers migrating to instant coffee from roasted and ground coffee due to its inherent convenience.

### **8.2.4 Ice-cream**

Building on a good 2005, the year under review, has been an outstanding year for the Ice-creams business with sales growth accelerating to 38.5%. Profitability has improved significantly. The business continued its strategy of driving growth by focusing on availability, affordability & acceptability. A massive availability expansion plan modeled on Unilever success elsewhere in the world was put in place. Post a pilot in one market

in the first half of 2006, it was rolled out to the rest of the country. This contributed significantly to the sales growth.

Ice cream market continued to remain highly competitive with principal competition from milk co-operatives at the national level, and private sector players at the local and regional levels. Competition, however, has been predominantly price-led rather than innovation-led providing your Company a unique opportunity to build this business on Unilever's global capabilities in Innovation.

Launch of two new flavors in Cornetto, Feast Fruit n Nut, and new flavors in family packs led to growth in Impulse and In-Home segments. Launch of a differentiated Rs. 5 stick, Choco Vanilla helped drive growth in kids portfolio and support the availability expansion plans.

The "Pleasure Up" summer communication and activation campaign helped improve brand salience and strengthened brand imagery.

Several cost effectiveness programs implemented across manufacturing & extended supply chain, and the scale benefits resulting from the growth rates, helped significantly improve the profitability of the business. A new manufacturing unit was setup at Nalagarh, HP to service North Region markets.

Business is well poised to sustain the performance into the future.

### **8.2.5 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. 265 L in 2006 (against Rs. 221 L in the previous year). This is the second successive year of operating profit thus reflecting a turnaround in the business.

In 2006, the Bread business focused on profitable growth and margin improvement. On a comparable basis, Bread sales in continuing units grew by 16.8%. Bread gross margins improved despite an unprecedented 30% rise in price of key raw materials – Maida & Atta. Margin improvement was aided by growth in the premium portfolio, bold price increases and cost efficiency measures - continuing focus on energy savings, improvement in manufacturing efficiencies and supply chain initiatives in procurement, contracting and sourcing. Modern Foods continued to lead the market in the area of health and vitality. The two key innovations - Atta Bread and 7 Must Bread (a multi cereal bread with goodness of seven different cereals, pulses and nutrients) - recorded healthy growth in 2006.

Upgradation of quality and consumer safety standards, is a key priority, and this progressed as per plan. Three units were audited in 2006 by specialist Unilever quality audit teams, bringing the total number of units cleared to five. The remaining unit at Cochin is scheduled for audit in early 2007.

### **8.3 Customer Management**

During the year, your Company witnessed a changing business environment with expanding "Modern Trade" format providing a very different consumer experience. Many serious players entered the organised retail business, and this format shows a promising opportunity in the years to come. Your Company, in 2006, invested behind equipping itself to face the changing market dynamics, be it building a seamless supply chain with reduced response time or building the knowledge base to operate in an organised retail environment. At the same time, given its strength in general trade, the Company continued its focus on supporting and collaborating with the traditional retail to assist them in adapting to the changing business environment. It is your Company's endeavour to build and nurture strong partnership with both traditional and modern trade to provide consumers an outstanding shopping experience.

With the entry of Reliance, Walmart and aggressive expansion plans of the existing Modern Trade players, India will evolve to a hybrid customer structure in the coming years. This will require a new set of capabilities and processes to service the new customer base. Your Company is investing in building these new capabilities and processes.

These investments in customer management and several new initiatives, both in General Trade and Modern Trade, have ensured that your Company is significantly ahead of its competition in delivering customer satisfaction.

### **8.4 Supply Chain**

Petroleum and petrochemical prices continued to put substantial inflationary pressure on raw materials, packaging materials and distribution costs. Your Company's sharp focus on cost reduction programmes mitigated these cost pressures to a considerable extent with cross functional teams from buying, manufacturing, R&D coming together to deliver substantial savings in 2006. In this, your Company continued to benefit from Unilever's global and regional strengths that led to significant buying cost advantages through scale and deployment of best practices used elsewhere in Unilever.

HLL's factories turned in another great year of productivity improvement led by the continuing excellence in TPM implementation across units. Line flexibility has improved significantly in many units with several lines now being changed over in minutes, thereby allowing your Company to respond nimbly to market demand. Investments and better capacity utilisations at our newer factories at Uttaranchal and Baddi have further ensured that your Company's volume requirements were fully met.

In line with the changing face of the Indian customer environment, a greater focus has now been put on customer service with common objectives and metrics in place across the organisation. Information Technology has been used extensively to allow real time data capture and reporting to ensure quick response across the Supply Chain.

## **8.5 Speciality Exports**

The Speciality Export Business focused on improving profitability and building the value added portfolio during the year. The share of value added exports increased significantly in 2006.

### **8.5.1 Marine**

The Marine Division increased the share of the value-added portfolio during the year. The operations at the factories in Pamaru (AP) and Rabale (Maharashtra) were restructured to improve the profitability. The business faced difficult trading conditions on account of Anti Dumping Duties in US and quality related issues in the EU. The Surimi business had its best sales performance in the last 4 years and the Crabstick business continued its profitable growth. Several new products such as Skin Pack Shrimps, Marinaded Seafood and Minced Crabsticks were developed and commercialised during the year. The business also expanded its customer base in Europe and Middle East and developed new markets in Mexico.

The Aroor factory achieved BRC higher level certification besides receiving awards from the Kerala State Pollution Control Board and the Safety Practice Awards from the National Safety Council.

### **8.5.2 Rice**

Rice business focused on improving profitability by simplifying the business, enhancing operational efficiency, selective price increases and building the value added portfolio which now amounts to over 70%. The branded business grew by 6%, and has extended its portfolio into the largest Basmati rice market – Saudi Arabia, in 2006. Focus on working capital and receivables management improved the capital efficiency.

### **8.5.3. Castor**

The Castor business focused on Value Added products i.e. Castor Derivatives and Specialty Oils. The Value Added business registered a handsome volume growth of 60% over 2005. This was achieved through foray into new territories in the Americas and widening of customer bases in Asia Pacific and Russia. The Value Added thrust was also ably supported by significant improvement in the areas of customer service and supply chain logistics.

### **8.5.4 Leather**

#### **Pond's Exports Limited (PEL)**

The Leather and Leather Products industry in India is a focused category for growth by the Government. The imposition of duty by EU on Chinese imports of leather Foot Wear is opening a growth opportunity for the Industry. PEL with its established credentials as a long term reliable supplier is poised for cashing this opportunity.

During the year, the business achieved sustainable cost competitiveness through restructuring of its two high cost upper making facilities at Tindivanam in Tamil Nadu and Mettupalayam in Puducherry. This turned around the upper business segment. During this phase, the business maintained customer service levels without any disruption.

In the shoes segment, major markets continue to be price sensitive and innovation led. The business maintained its No.1 position with its key customers like Hush Puppies and Gabor through high product quality and focus. Another brand of international repute "Caterpillar" of Wolwerine World Wide was added as a customer. This will provide a window for growth in future.

## **8.6 New Ventures**

### **8.6.1 Water**

Your Company has launched Pureit, an inhome drinking water purification system. Pureit is the only inhome water purifier in the world that gives water that is as safe as boiled water, without having to boil water, and without needing electricity or continuous tap water supply. Pureit removes all harmful viruses, bacteria, parasites, and pesticides, thereby providing complete protection from all water borne diseases like jaundice, diarrhea, typhoid, and cholera. What's more, Pureit is priced such that it is affordable to the common man.

Pureit was test launched in a few cities in Tamil Nadu in 2005. The market response has been encouraging. Consequently, the water business has been building up its overall capability with respect to manufacturing,

supply chain, distribution, and IT. As this capability has been built up in 2006, Pureit was launched throughout Tamil Nadu, and then rolled out successively to Karnataka and Andhra Pradesh.

### 8.6.2 Hindustan Lever Network

Hindustan Lever Network is a multi-category business opportunity started in 2003 in the area of network marketing. While the global industry is estimated at over \$ 100 Bln, this industry in India is estimated to be around Rs.1,500 Crores growing at 15% p.a.

During the past year, the business has given opportunities to 45,000 new members. Hindustan Lever Network today services consultants in over 1400 towns.

With a belief that entrepreneurs need to see greater value in participating in the opportunity, the business strengthened its compensation plan. This plan has been well received and has served to create a benchmark in the Network marketing business in India.

Additionally, the business has created a paradigm change in the conventional network business through the creation and launch of the Privilege Consumer Programme – a programme designed to enable consumers to avail of world class products while earning loyalty points. Through this programme, the business has reached out to close to 100,000 new consumers.

The business has focused on driving an execution culture amongst the entrepreneur base – this has meant a greater focus this past year on building entrepreneur capabilities through various training initiatives. In particular, the business has co-created a powerful training programme with best-in-class training providers such as NIS Sparta & City & Guilds (UK) that serves to build leadership and selling capabilities.

In order to ensure continued excitement along with the need to build strong brands, the business, using Unilever's world class technology, launched 6 new products during 2006. In particular, the business launched a new range of top-end products with a view to strengthen core brands within the Network business portfolio.

### 8.6.3 Project Shakti

70% of Indian population lives in 627,000 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 program addressing this opportunity. 'Shakti' operates through 3 initiatives.

Shakti provides a micro-enterprise opportunity 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 **more than doubled your Company's direct rural reach**, with 30,800 Shakti entrepreneurs covering 100,000 villages in fifteen states at the end of 2006. Moreover, Shakti entrepreneurs visit and sell to around three million rural homes every month, creating a unique rural direct-to-home channel. Your Company aims to reach 600 million consumers in 500,000 villages through 100,000 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 has covered a total of 40,000 villages in seven states since 2005. The awareness and adoption of health and hygiene practices would provide growth opportunities in rural India for products that cater to this need.

**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 in the local language with text to voice facility enabling even the illiterate to get benefit of information. IShakti is currently available in around 200 Kiosks in AP. Interesting pilots to use these kiosks for providing value added services like Spoken English and Computer tutorials have also been initiated. IShakti also gives platforms for advertising the products and creating awareness on the benefits of their 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 coverage.

Effective February 2007, the Shakti channel has been aligned with the mainstream Sales and Customer Development function with appropriate changes in reporting relationship.

### 8.6.4 Consumer Health Care (Ayush)

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 & wellness services through a franchise operation. Ayush is the first Ayurvedic brand to get into therapy centres. Ayush Therapy Centres have shown positive signs of an independent business opportunity – the revenue from centres continue to grow both through expansion and through growth from existing centres. Customers have expressed high degree of satisfaction with the services being offered, leading to doubling of revenues for second successive year. The business has expanded its operations from 7 cities to 11 cities and has increased the number of centres from 15 to 40. During 2007, the business plans to significantly increase its reach through additional centres in existing markets as well as new cities.

The Ayush Spa range launched in the direct selling business in 2004, has focused on building strong credentials in the area of Health & Wellness. During the year, the brand has seen the launch of 5 new products – all in the area of Health & Wellness.

Effective February 2007, the consumer health care business has been aligned with the HPC business with consequent changes in reporting relationship.

### 8.6.5 Sangam Direct -Unilever India Exports Limited

Sangam Direct, the direct to home e-tailing venture of your Company continued to grow strongly in 2006. Revenues grew by 35% over 2005 figures. The business also extended its services to several outlying suburbs of Mumbai in the second half of the year. The on-line shopping portal [www.sangamdirect.com](http://www.sangamdirect.com) was launched, enabling consumers to now shop on-line at any time of the day or night. This benefit builds strongly upon Sangam's core consumer proposition of convenient shopping.

As modern retail formats explode and consumers have more choices than ever before, the Sangam Direct proposition of convenient shopping for daily household

products is becoming increasingly relevant. The customer base of Sangam now stands at over 200,000 households. The Company is evaluating the long-term strategic direction and business model of Sangam Direct for growth, scalability and profitability in the future.

## 9. RESEARCH & DEVELOPMENT AND TECHNOLOGY

HLL's R&D commitment to fully explore technological options, and sustainably provide true value to its consumers, continued with increased focus and vigour in 2006. Significant progress was made in many areas, especially water purification, skin care, laundry cleaning and beverages.

R&D on technologies for in-home water purification continued, with a focus on developing products which are affordable for the mass market. While continuing to refine HLL's in-home water purifier (Pureit), currently under roll-out across many states, a series of futuristic technologies are under development to provide cost-effective solutions to eliminate other contamination, in addition to the microbials, from drinking water.

In the area of personal wash, transparent soaps (Pears variants) with specific performance attributes (milder variants) were developed. Several novel processing modifications have resulted in exciting new technologies for additional and/or superior functionalities in soaps. The research in the area of skincare continues to focus on development of understanding the occurrence of Acne, which in turn will lead to novel technologies to reduce its incidence and/or intensity. Skin lightening continues to be a major area of emphasis and new insights regarding the mechanism of pigmentation are yielding exciting leads. In addition, understanding the role of sunscreens and antibacterial in skin hygiene and health is underway.

Consumer excitable technology options to augment health and vitality benefits through tea (in addition to its own natural goodness) are under development.

Yet another important area of research is in the domain of Naturals, where the focus is on unlocking the molecular and biochemical secrets, and add to the inherited treasure of Ayurvedic knowledge, to benefit HLL's consumers in Ayurvedic Therapies, Foods and Home & Personal Care. Several novel propositions are under development.

Scientific explorations in the area of laundry cleaning have yielded a series of options which can now be pursued to improve the cleaning performance of laundry products.

Overall, 2006 was a year of R&D excellence, wherein the role of technology was substantially reinforced as an important tool to ensure consumer value creation, with significant prospects for taking HLL ahead of our competition.

## 10. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Safety and Environment Performance is integral to the business performance of your Company, and received continued focus throughout the year. The only acceptable standard of safety performance for your Company is "zero accidents". The Accident Frequency Rate continued to be one of the lowest amongst Unilever Companies worldwide and the reducing trend was maintained during the year.

Your Company's safety journey focused on behavioural aspects as well as continual improvements in engineering controls and safety management systems made good progress. The behavioural safety training has now covered more than 3200 employees. Every manager and officer in the Company in manufacturing, sales, research and offices is engaged in safety with his / her team. There was a significant jump in one-to-one 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.

Footwear Factory at Puducherry received "National Safety Award" during the year. Factories at Aroor and Tatapuram also received safety awards from National Safety Council (Kerala Chapter). Aroor factory also got State recognition as it bagged an award for pollution control from Kerala State Pollution Control Board. In addition, the factory at Kalwa, received Best Industrial Safety Performance Award from Thane Manufacturers' Association, Directorate of Industrial Safety & Health.

Your Company's ongoing programmes for reduction in the environmental impact of operations have resulted in a lower environmental load in 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 consumption levels through productivity improvements, use of alternative sources of energy and recycling/reuse of energy / water where feasible. Further your Company has initiated a pilot project to study the feasibility of recycling of packaging

materials. Our detergent product in premium sector, Surf Excel, continues to help 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 further progressed rainwater harvesting projects at the manufacturing sites. Other ongoing sustainability projects such as greening of barren land in and around factories and vermi-composting of wastes into value added fertilizer supplements, are progressing well.

## 11. PERSONNEL

The HR agenda for 2006 focused on delivering distinctive people and organisational capabilities, attracting and retaining the right talent and enhancing productivity in our manufacturing units through the process of bilateral negotiations.

To enhance our functional capabilities, particularly in the areas of marketing and customer development, a number of our managers underwent short term exposure stints wherein they visited Unilever operations in different countries and learnt from good practices there which are being implemented. Significant investment has also been made in training interventions to upgrade the level of skills. The focus on execution has been strengthened. This has been led from the top and the leadership team has driven initiatives like strategy into action (SIA) to ensure strategic clarity and alignment to the annual goals of the Business. A number of team building interventions has been carried out to support team working behaviours. Continuous communication and engagement led by the CEO directly, initiatives to drive recognition and celebration have all helped to embed the vitality culture.

In mid 2006, the decision to create "One Corporate Office" for HLL in India was announced. In accordance with that the Foods Business was relocated from Bangalore to Mumbai. This transition was carried out successfully by January 2007 with no disruption to the business. Appropriate resettlement assistance through best in class outplacement, redeployment and relocation services was provided to our employees who were unable or unwilling to relocate to Mumbai.

During 2006, TPM gains were further consolidated and 4 sites were audited for JIPM awards. Mangalore factory achieved coveted TPM Special Award thereby being the first HLL factory to have achieved this award, Kidderpore and Goa factory challenged the Consistency award while Hosur challenged the Excellence award in 2006.

The Employee Relations in the Company continued to be positive. During the course of the year, 12 productivity

linked LTS impacting in all 2605 employees were signed across 10 sites (including a Settlement with the All India Brooke Bond Employees Federation) through a process of bilateral negotiations with the employee representatives.

During the year, nine units (factories and establishments) were restructured in line with the long term business strategy including the Sewri Factory in Mumbai owned by Bon Limited and some of the Leather and Marine Exports units. The restructuring was primarily due to reasons of economic un-viability over an extended period and in some cases (i) aggravated by locational disadvantages/constraints and (ii) unwillingness of the employees to engage in constructive collaboration to secure a turnaround. This restructuring was either through liberal VRS schemes or after obtaining requisite approvals and permissions from regulatory authorities. These actions were necessary to sustain long term viability of the business and were undertaken after exploring all other alternatives. Restructuring was also undertaken at the erstwhile Foods Division's Corporate Office at Brookefields and the Sales stream. In all, 1618 permanent employees were impacted on account of this Restructuring; 100 of these employees were relocated to other HLL units.

In line with our commitment towards Affirmative Action, the Special Apprenticeship Scheme was launched in the second half of the year and recruitment for Apprentices has already been undertaken in the Supply Chain function where 35 apprentices have joined various factories across the country and 15 more are to join by 31st March 2007. In Sales system, similarly the recruitment is underway for 50 apprentices across the four regional offices. Your Company as a responsible corporate has accepted to abide by the Code evolved by Confederation of Indian Industries (CII) for affirmative actions in private sector.

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and under Section 217 (1) (e) of the said Act, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are given in Annexures forming part of this report.

## **12. MERGERS/ACQUISITIONS & DISPOSALS**

### **12.1 Divestment of 51% controlling stake in Unilever India Shared Services Limited**

Unilever India Shared Services Limited (previously known as Indigo Lever Shared Services Limited) was a 100% subsidiary of your Company. It was engaged in providing

financial shared services in the area of Sales commercial, manufacturing commercial, IT enabled services, operational control assessment processes and Sarbanes Oxley compliance. Apart from HLL, the Company had contracts for similar services with other Unilever companies in Australia, New Zealand, South Africa, Sri Lanka etc.

In line with its strategy to focus on core areas, during October 2006, HLL divested its 51% controlling stake in the business to CapGemini SA for a consideration of Rs. 52 crores. The business will now benefit from the systems and processes brought in by a leading player in the BPO space. Both parties have a put/call option for the balance 49% stake in 2008/09.

### **12.2 Divestment of balance 49% in the Quest Business**

A joint venture was entered with ICI for disposal of the perfumery and flavours business in 2001. HLL held 49% in the JV while ICI and its associates held 51%. As per the agreement, both parties had a call/put option at the end of 5 years i.e post 31st March 2006. In June quarter 2006, both parties agreed to complete the transaction as per the agreement. Consequently, HLL exercised its put option and exited from the JV at a consideration of Rs. 54 Crores computed on a pre-agreed basis for valuation.

### **12.3 Sale of NIHAR/COCOCARE Brand and related intellectual property rights**

As a part of your Company's Brand/ Category rationalisation strategy, Company decided to exit edible coconut oil market and disposed off its Nihar brand at an attractive valuation.

Your Company also disposed off its "Cococare" trademark - a dormant brand for last two years - along with related intellectual property rights in the Indian market. Both these sales are in line with the portfolio rationalisation strategy and the decision to exit the edible grade pure Coconut oil business.

### **12.4 Scheme of Amalgamation of Modern Foods Industries (India) Limited & Modern Foods and Nutrition Industries Limited with Hindustan Lever Limited**

Modern Foods Industries Limited was acquired by purchasing 74% of the equity capital from the Government of India (GOI) in February 2000 and the balance 26% in November 2002. This was in line with your Company's policy to have a diversified Foods portfolio. MFIL's two business streams viz. Bread and Supplementary Nutritional Foods (SNF) were not making

enough margins and various steps were taken to revive the operations of the business including improved product mix, focus on quality initiatives, technical efficiencies improvement and the business was brought on the path to recovery in 2002. In 2003, however, the business lost the SNF turnover in the states of UP and Rajasthan accounting for 46% of the total company turnover with a substantial impact on profitability even while the bread business continued to improve performance despite steep input price increases through cost effectiveness programmes, technical efficiencies, rationalisation of units and the like. In 2006, during a BIFR review the company was advised to rework its revival plans including merger of the business with the parent company. In deference to the opinion of the BIFR, your Company has agreed to implement the amalgamation. Accordingly the Company had sought approval from the shareholders and the courts to merge the companies with your Company as of September 30, 2006. The High Court approvals are in progress and once granted the amalgamation will be completed with effect from the respective appointed dates stipulated in the Amalgamation Scheme approved by the High Courts of Mumbai and Delhi.

#### **12.5 Scheme of Arrangement for Demerger of the non-operational facilities in Shamnagar, Jamnagar and the residual "Janmam" lands into separate companies**

Your Company had undertaken Demerger of its in operational facilities in Shamnagar, Jamnagar and Janmam lands (after disposal of its tea plantation interests in South India predominantly located in Nilgiris District of Tamil Nadu) into three independent and separate companies, being 100% subsidiaries of the Company known as Shamnagar Estates Pvt. Limited, Jamnagar Properties Pvt. Limited and Hindustan Kwaliti Walls Foods Pvt. Limited (Since renamed as Daverashola Estates Pvt. Ltd.).

#### **13. 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 director have received options exceeding 5% of the value of the options issued for the year ending December 2006.

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**

Pursuant to the approval of the members at the Annual General Meeting held on May 29 2006, the Company adopted the "2006 HLL Performance Share Plan" in place of the existing "2001 HLL Stock Option Plan". The Plan has been registered with the income tax authorities in compliance with the relevant provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the terms of the Performance Share Plan, employees are eligible for the award of conditional rights to receive equity shares of the Company at the face value of Re. 1 per share. These awards will vest only on the achievement of certain performance criteria measured over a 3 year period. 272 Employees including wholtime directors were awarded conditional rights to receive a total of 349,750 equity shares at the face value of Re. 1 each.

#### **14. CORPORATE RESPONSIBILITY (CR)**

As in earlier years, your Company continued to involve itself in communities across the country, through charity and social investment around issues of education, nutrition hygiene and disaster relief and rehabilitation as also through commercial initiatives for economic development of women in rural areas. Such involvement is in the form of finance, employee time and donations of products/services and equipment. In certain cases requiring radical responses to endemic issues, your Company and Unilever work together.

To illustrate, one of the key agendas of the United Nations 'Millennium Development Goals' (MDGs) was combating maternal health concerns and child mortality. With 40% of the world's malnourished children being in India, a Partnership for Child Nutrition (PCN) was formed for this initiative. Unilevers became the first corporate house to join the PCN in the world's first multi-sectored approach to combat this issue in collaboration with UNICEF and Synergos Institute. In India, as part of this PCN, your Company is working with leading organisations like ICICI Bank, HDFC, TATA group of companies, UNICEF & Govt. of Maharashtra to work together as a multi sectoral alliance. This initiative, aptly christened the Bhavishya Alliance would jointly analyse the problem of child malnutrition, and design systemic solutions for implementation. While Unilever has made financial commitment to this alliance, your Company has seconded a team of managers to drive this initiative.

Your Company encourages multiple approaches to make a real difference in India. Thus while brands like Lifebuoy and Fair and Lovely continue to involve themselves on hygiene and education, some of the manufacturing sites involve themselves in water focused community issues.

Your Company also recognises that CR is not only about involving in communities. It is also about responsible business practices with respect to other stakeholders. Hence, your Company continued to support the United Nations Global Compact program.

CR in your Company is also facing challenges. The first challenge is to carve out the scope of responsibility for impact in the value chain when operating in a competitive landscape with inadequate enablers. The second challenge is to articulate the understanding and relevance of charity in a business whose operations are very close to the roots of poverty - like locating in backward regions of the country, making the poor as business partners and supporting causes through categories and brands. The third challenge pertains to institutionalisation of CR so that it gets embedded without creating a bureaucracy.

Thus, although your Company has been recognised for its contributions in this space on various occasions, including the TERI CSR award in 2006, it continues to work on these challenges, recognising that building a successful business and creating positive social impact are not separate objectives.

## **15. 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 to strengthen use of technology in sales and customer development. In the course of the year, we completed a major programme of implementing a common transaction system across all our redistribution stockists, fully integrated with our systems. This has enabled us to collaborate with customers on a near on-line basis and significantly improve our field execution and customer service. We have also leveraged IT to collaborate with the emerging Modern Trade Channels to enhance efficiencies and service levels.

We made significant progress in building an enterprise-wide SAP based transaction capability. This is getting implemented across the Company in a phased manner and will be a fundamental IT capability for the future. This has been accompanied by significant re-engineering and simplification of our business processes to improve our agility and customer service.

Your Company continues to invest in IT infrastructure to support business applications. We have a robust virtual private network using MPLS technology, supplemented by high bandwidth VSATs for the remote locations. This has enabled us to coordinate activities across geographically dispersed locations.

Information Security and a reliable disaster recovery management continue to be a critical focus area – especially as most business processes become fully IT-enabled. We carry our 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.

## **16. FINANCE & 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, 2006 was Nil. There was no outstanding towards unclaimed deposit payable to depositors as on December 31, 2006.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules 2001, Rs. 224 lakhs of unpaid/unclaimed dividends, interest on debentures and deposits were transferred during the year to the Investor Education and Protection Fund.

The Report and Accounts of the subsidiary companies are annexed to this Report alongwith the statement pursuant to Section 217 (2-A) and 217 (2-E) of Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged account as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts of the subsidiaries will be provided the same on receipt of written request from them. This will help save considerable cost in connection with printing and mailing of the Report and Accounts.

**RONW, ROCE and EPS for the last five years**

| For the year ended<br>31 December, | 2002 | 2003 | 2004 | 2005 | 2006        |
|------------------------------------|------|------|------|------|-------------|
| RONW (%)                           | 48.4 | 82.8 | 57.2 | 61.1 | <b>68.1</b> |
| ROCE (%)                           | 51.8 | 53.0 | 40.8 | 62.3 | <b>61.1</b> |
| EPS of Re.1                        | 8.04 | 8.05 | 5.44 | 6.40 | <b>8.41</b> |

**Economic Value Added (EVA)**

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

Rs. Crores

| Years | EVA   | Average<br>capital employed | EVA as % of<br>capital employed |
|-------|-------|-----------------------------|---------------------------------|
| 2002  | 1,236 | 3,396                       | 36.4%                           |
| 2003  | 1,429 | 3,780                       | 37.8%                           |
| 2004  | 887   | 3,704                       | 23.9%                           |
| 2005  | 1,014 | 2,560                       | 39.6%                           |
| 2006  | 1,125 | 2,677                       | 42.0%                           |

The above EVA has been computed on a conservative basis. A detailed note is given in page 88.

**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. Lakhs

| For the year ended<br>31 December,                           | 2006            | 2005     |
|--|-----------------|----------|
| <b>Segment Revenue (Sales plus<br/>Income from Services)</b> |                 |          |
| Soaps and Detergents   | <b>5595,89</b>  | 4961,71  |
| Personal Products  | <b>3359,79</b>  | 2951,87  |
| Beverages  | <b>1330,74</b>  | 1277,45  |
| Foods  | <b>384,90</b>   | 313,72   |
| Ice creams   | <b>137,07</b>   | 98,15    |
| Exports  | <b>1278,88</b>  | 1347,80  |
| Others   | <b>180,25</b>   | 250,45   |
| <b>Total</b>   | <b>12267,52</b> | 11201,15 |
| Less: Inter-segment<br>revenue                               | <b>9,50</b>     | 7,27     |
| <b>Net Revenue</b>   | <b>12258,02</b> | 11193,88 |
| Consisting of  |                 |          |
| a) Net Sales   | <b>12103,39</b> | 11060,55 |
| b) Service income from<br>operations                         | <b>154,64</b>   | 133,34   |

Rs. Lakhs

| For the year ended<br>31 December,  | 2006           | 2005     |
|---|----------------|----------|
| <b>Segment Results</b>  |                |          |
| Soaps and Detergents  | <b>773,09</b>  | 683,69   |
| Personal Products   | <b>943,10</b>  | 845,21   |
| Beverages   | <b>220,51</b>  | 242,40   |
| Foods   | <b>12,86</b>   | (16,10)  |
| Ice creams  | <b>18,72</b>   | 5,08     |
| Exports   | <b>66,37</b>   | 49,06    |
| Others  | <b>(67,38)</b> | (27,68)  |
| <b>Total</b>  | <b>1967,27</b> | 1781,65  |
| Less: Interest expense  | <b>(10,73)</b> | (19,19)  |
| Add: Unallocable income net<br>of other unallocable expenses              | <b>(94,86)</b> | (157,99) |
| <b>Total Profit (PBT)</b>   | <b>1861,68</b> | 1604,47  |
| <b>Capital employed in segments<br/>(Segment assets less liabilities)</b> |                |          |
| Soaps and Detergents  | <b>60,83</b>   | (63,33)  |
| Personal Products   | <b>160,02</b>  | 227,80   |
| Beverages   | <b>(43,61)</b> | (62,07)  |
| Foods   | <b>13,46</b>   | (1,63)   |
| Ice creams  | <b>6,44</b>    | (9,43)   |
| Exports   | <b>291,42</b>  | 429,95   |
| Others  | <b>(8,90)</b>  | 5,50     |
| <b>Total</b>  | <b>479,66</b>  | 526,79   |
| Add : Unallocable corporate<br>Assets less Liabilities                    | <b>2243,83</b> | 1778,84  |
| <b>Total Capital Employed in<br/>Hindustan Lever Ltd.</b>                 | <b>2723,49</b> | 2305,63  |

**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 2007 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 factor 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.

**17. DIVIDEND**

The Board of Directors at the meeting held on 20th February 2007, recommended a final dividend of Rs.3.00 per share of Re.1/- each for the year 2006, subject to approval of the shareholders. Together with the interim dividend of Rs. 3.00 per share, paid on August 22, 2006 the total dividend for the year is proposed at Rs. 6/- per share of Re. 1/- each, amounting to Rs. 1323.76 crores. Distribution Tax both on the interim and final dividend is being borne by the Company.

**18. 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 dematerialisation of the Company's shares on either of the Depositories as aforesaid.

**19. MEMBERS OF THE BOARD/MANAGEMENT COMMITTEE**

Pursuant to approval of the shareholders and Central Government, Mr. Douglas Baillie was appointed as the Chief Executive Officer (CEO) and Managing Director (MD) of the Company effective from March 1, 2006.

Mr. M.K. Sharma, Vice Chairman and Wholetime Director and Mr. S. Ravindranath, Managing Director, Foods, are retiring from the services of the Company, upon attaining the age of superannuation, with effect from May 31, 2007 and April 30, 2007 respectively.

Accordingly, both Mr. Sharma and Mr. Ravindranath are not seeking re-election at the forthcoming Annual General Meeting of the Company. As of May 19, 2007 there will be two vacancies on the Board due to retirement of Mr. S. Ravindranath on April 30, 2007 and Mr. M.K. Sharma ceasing to be a Director on the conclusion of the AGM on May 18, 2007.

To fill the vacancies caused by the retirement of Mr. Sharma and Mr. Ravindranath, the Company proposes to appoint Mr. Nitin Paranjpe and Mr. Sanjiv Kakkar as Wholetime Directors of the Company in accordance with Section 269 read with Section 314 of the Companies Act 1956 and Article 111 of the Articles of Association. Notices have been received from members pursuant to Section

257 of the Companies Act, together with necessary deposits of Rs. 500/- each proposing the appointment of Mr. Nitin Paranjpe and Mr. Sanjiv Kakkar to the Board of Directors of the Company.

The Board places on record its appreciation for the distinguished service rendered by Mr. M.K. Sharma and Mr. S. Ravindranath to the Board and to the Company for more than three decades.

In accordance with the Articles of Association of your Company, all other Directors of the Company, will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-election.

Mr. Anoop Mathur, Executive Directors, Speciality Exports, availed of early retirement from the services of the Company effective December 31, 2006. The Board places on record its appreciation for the distinguished service rendered by Mr. Anoop Mathur for more than 35 years.

**20. 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.

**21. 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.

**22. 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 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.

**23. ACKNOWLEDGEMENT**

Your Directors take this opportunity to thank all investors, clients, vendors, banks, regulatory and government authorities and stock exchanges, for their continued support. Your Directors also wish to place on record their appreciation of the Contribution made by our business partners/associates at all levels.

On behalf of the Board

*Mumbai,  
February 20, 2007*

**Harish Manwani**  
*Chairman*

## ANNEXURE TO THE DIRECTORS' REPORT, 2006

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<br><br>Rs. 217.45  | Closing market price as on the date of option grant - 23.04.2002<br><br>Rs. 210.35 | Closing market price as on the date of option grant - 24.04.2003<br><br>Rs. 136.00 | Average of highs and lows for two week period preceding the date of option grant - 30.06.2004<br><br>Rs. 128.47 | Closing market price, prior to the date of meeting of the Board of Directors in which the options were granted - 26.05.2005<br>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)                   | Options vested after three years from date of grant (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, 2006)  | 3,84,100 equity shares of Re.1/- each   | 5,37,592 equity shares of Re.1/- each  | 11,62,140 equity shares of Re.1/- each   | NA  | NA  |
| e) The total number of shares arising as a result of exercise of option   | 3,84,100 equity shares of Re.1/- each   | 5,37,592 equity shares of Re.1/- each  | 11,62,140 equity shares of Re.1/- each   | NA  | NA  |
| f) Options lapsed (as at December 31, 2006)   | 6,51,200 equity shares of Re. 1/- each  | 6,60,827 equity shares of Re. 1/- each   | 5,69,280 equity shares of Re. 1/- each   | 2,38,700 equity shares of Re. 1/- each  | 1,19,900 equity shares of Re. 1/- each  |
| g) Variation of terms of options :  | NA  | NA   | NA   | NA  | NA  |
| h) Money realised by exercise of options  | Rs. 8.01 crores   | Rs. 10.84 crores   | Rs. 15.07 crores   | NA  | NA  |
| i) Total number of options in force (as at December 31, 2006)   | 14,39,800 equity shares of Re. 1/- each   | 20,35,182 equity shares of Re. 1/- each  | 25,44,670 equity shares of Re. 1/- each  | 13,91,750 equity shares of Re. 1/- each   | 14,27,800 equity shares of Re. 1/- each   |
| j) Employee wise details of options granted to :  |   |  |  |   |   |
| i) Senior managerial personnel;   | —   | —  | —  | —   | —   |
| 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'.                                       | An aggregate 20,83,832 equity shares of Re. 1/- each were issued pursuant to the exercise of stock options by employees as per the "2001 HLL Stock Option Plan". The issue of these shares has resulted in the earnings per share of 2006 being diluted by Re. 0.01 each. |  |  |   |   |

**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 to<br>Stock Option 2004 | Stock Option 2005   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
|--|---|---|-------------------|---------------------|-------------|----------|---|-----|---|------|---------------------|----------|---|--------------|---------------|------|---------------|------|
| 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 as per the intrinsic value method for the year 2005 is Nil.  |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised 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  |   | The effect of adopting the fair value method on the net income and earnings per share is presented below :  |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
|  |   | <table border="0"> <tr> <td><b>Net Income</b></td> <td align="right"><b>Rs. in lakhs</b></td> </tr> <tr> <td>As reported</td> <td align="right">14,08.11</td> </tr> <tr> <td>Add : Intrinsic value Compensation cost</td> <td align="right">Nil</td> </tr> <tr> <td>Less : Fair value Compensation cost (Black Scholes model)</td> <td align="right">6.73</td> </tr> <tr> <td>Adjusted Net Income</td> <td align="right">14,01.38</td> </tr> <tr> <td><b>Earnings Per Share (Basic and Diluted)</b></td> <td align="right"><b>(Rs.)</b></td> </tr> <tr> <td>- As reported</td> <td align="right">6.40</td> </tr> <tr> <td>- As adjusted</td> <td align="right">6.37</td> </tr> </table> | <b>Net Income</b> | <b>Rs. in lakhs</b> | 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 | <b>Earnings Per Share (Basic and Diluted)</b> | <b>(Rs.)</b> | - As reported | 6.40 | - As adjusted | 6.37 |
| <b>Net Income</b>  | <b>Rs. in lakhs</b>                       |   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| 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                                  |   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| <b>Earnings Per Share (Basic and Diluted)</b>  | <b>(Rs.)</b>                              |   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| - As reported  | 6.40                                      |   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| - As adjusted  | 6.37                                      |   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| m) Weighted average exercise price and weighted average fair value   | NA  | NA  |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| n) Fair value of Options based on Black Scholes methodology (details available on company website)   |   |   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| Assumptions  |   |   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| Risk free rate   |   | 7.25%   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| Expected life of options   |   | 7 years   |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| Expected Volatility (based on daily market closing price from 3 years -2003 to 2005)   |   | 30.04%  |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| Expected Dividends   |   | Rs. 5.00 per share  |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |
| Closing market price of share on date of option grant.   |   | Rs. 138.20  |                   |                     |             |          |   |     |   |      |                     |          |   |              |               |      |               |      |

**Notes:** (i) The "2001 HLL Stock Option 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.

**2006 HLL Performance Share Plan:**

As per the terms of the '2006 HLL Performance Share Plan', employees were awarded conditional rights to receive 349,750 equity shares of the Company at the face value of Re. 1/- each. These Awards will vest only on the achievement of performance criteria measured over a 3 year period. The list of Senior Management who were awarded conditional rights for Performance Share under the plan is given below:

| Name of the Manager | Performance Shares Awarded 2006 |
|---------------------|---------------------------------|
| Dhaval Buch         | 2,750                           |
| Sanjay Dube         | 4,400                           |
| Sanjiv Kakkur       | 2,750                           |
| Nitin Paranjpe      | 4,400                           |
| S. Ravindranath     | 7,925                           |
| M.K. Sharma         | 4,400                           |
| D. Sundaram         | 3,300                           |

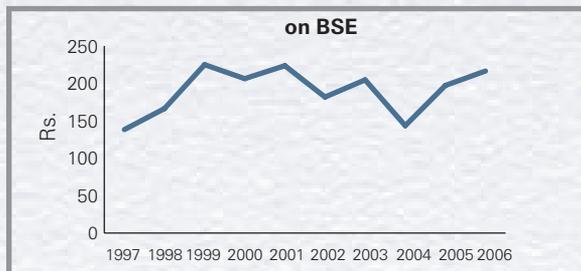
## 10-YEAR RECORD

| Rs. Lakhs                         | 1997    | 1998     | 1999     | 2000     | 2001     | 2002     | 2003     | 2004     | 2005      | 2006             |
|-----------------------------------|---------|----------|----------|----------|----------|----------|----------|----------|-----------|------------------|
| <b>Profit &amp; Loss Account</b>  |         |          |          |          |          |          |          |          |           |                  |
| Sales*                            | 8342,75 | 10215,24 | 10917,69 | 11392,14 | 11781,30 | 10951,61 | 11096,02 | 10888,38 | 11975,53  | <b>13035,06</b>  |
| Other Income                      | 183,87  | 244,74   | 318,98   | 345,07   | 381,79   | 384,54   | 459,83   | 318,83   | 304,79    | <b>354,51</b>    |
| Interest                          | (33,89) | (29,28)  | (22,39)  | (13,15)  | (7,74)   | (9,18)   | (66,76)  | (129,98) | (19,19)   | <b>(10,73)</b>   |
| Profit Before Taxation @          | 850,25  | 1130,44  | 1387,94  | 1665,09  | 1943,37  | 2197,12  | 2244,95  | 1505,32  | 1604,47   | <b>1861,68</b>   |
| Profit After Taxation @           | 580,25  | 837,44   | 1069,94  | 1310,09  | 1540,95  | 1731,32  | 1804,34  | 1199,28  | 1354,51   | <b>1539,67</b>   |
| EPS of Re. 1 (adjusted for bonus) | 2.81    | 3.67     | 4.86     | 5.95     | 7.46     | 8.04     | 8.05     | 5.44     | 6.40      | <b>8.41</b>      |
| DPS of Re. 1 (adjusted for bonus) | 1.70    | 2.20     | 2.90     | 3.50     | 5.00     | 5.16     | 5.50     | 5.00     | 5.00      | <b>6.00</b>      |
| <b>Balance Sheet</b>              |         |          |          |          |          |          |          |          |           |                  |
| Fixed Assets                      | 794,09  | 1053,77  | 1087,17  | 1203,47  | 1320,06  | 1322,34  | 1369,47  | 1517,56  | 1483,53   | <b>1511,01</b>   |
| Investments                       | 531,57  | 697,51   | 1006,11  | 1769,74  | 1635,93  | 2364,74  | 2574,93  | 2229,56  | 2014,20   | <b>2413,93</b>   |
| Net Deferred Tax                  | —       | —        | —        | —        | 246,48   | 269,92   | 267,44   | 226,00   | 220,14    | <b>224,55</b>    |
| Net Current Assets                | 122,42  | 226,06   | 187,25   | (373,38) | (75,04)  | (239,83) | (368,81) | (409,30) | (1355,31) | <b>(1353,40)</b> |
|                                   | 1448,08 | 1977,34  | 2280,53  | 2599,83  | 3127,43  | 3717,17  | 3843,03  | 3563,82  | 2362,56   | <b>2796,09</b>   |
| Share Capital                     | 199,17  | 219,57   | 220,06   | 220,06   | 220,12   | 220,12   | 220,12   | 220,12   | 220,12    | <b>220,68</b>    |
| Reserves & Surplus                | 1062,33 | 1493,46  | 1883,20  | 2268,16  | 2823,57  | 3438,75  | 1918,60  | 1872,59  | 2085,50   | <b>2502,81</b>   |
| Loan Funds                        | 186,58  | 264,31   | 177,27   | 111,61   | 83,74    | 58,30    | 1704,30  | 1471,11  | 56,94     | <b>72,60</b>     |
|                                   | 1448,08 | 1977,34  | 2280,53  | 2599,83  | 3127,43  | 3717,17  | 3843,03  | 3563,82  | 2362,56   | <b>2796,09</b>   |

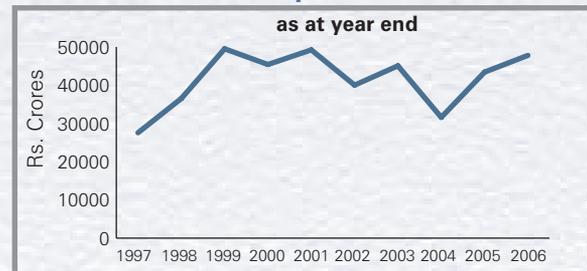
@ Before Exceptional Items

\* Sales before Excise Duty Charged

## HLL Share Price



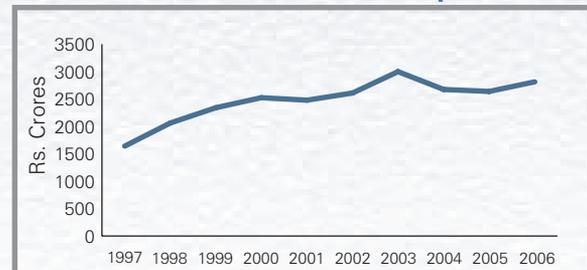
## Market Capitalisation



## Exports



## Contribution to Exchequer



|   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005          | 2006          |
|---|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| HLL Share Price on BSE (Rs. per Share of Re. 1) * | 138.35 | 166.35 | 225.00 | 206.35 | 223.65 | 181.75 | 204.70 | 143.50 | <b>197.25</b> | <b>216.55</b> |
| Market Capitalisation (Rs. Crores)                | 27,555 | 36,525 | 49,513 | 45,409 | 49,231 | 40,008 | 45,059 | 31,587 | <b>43,419</b> | <b>47,788</b> |
| Exports (Rs. Crores)**                            | 1,152  | 1,664  | 1,803  | 1,934  | 1,845  | 1,411  | 1,416  | 1,459  | <b>1,461</b>  | <b>1,369</b>  |
| Contribution to Exchequer (Rs. Crores)            | 1,640  | 2,062  | 2,341  | 2,524  | 2,478  | 2,609  | 2,999  | 2,674  | <b>2,638</b>  | <b>2,813</b>  |
| Economic Value Addition (EVA) (Rs. Crores)        | 365    | 548    | 694    | 858    | 1,080  | 1,236  | 1,429  | 887    | <b>1,014</b>  | <b>1,125</b>  |

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

\*\* Includes exports made by subsidiaries.

## Corporate Governance

Your Company continues to strive towards achieving good governance and responsible management practices benchmarking itself with some of the best managed companies on international standards.

Your Company has been practising corporate governance principles as contained in clause 49 of the Listing Agreement much before it became mandatory. Your Company believes that for a company to be successful it must maintain global standards of corporate conduct towards all its stakeholders. The Company believes that it is rewarding to be better managed and governed and to identify and align its activities with national interest. To that end, your Company has always focused on good corporate governance, which is a key driver of sustainable corporate growth and long term value creation.

Your Company views corporate governance in its widest sense, almost like a trusteeship, a philosophy to be professed, a value to be imbibed and an ideology to be ingrained into the corporate culture. Corporate Governance is not merely compliance and not simply a matter of creating checks and balances; it is an ongoing measure of superior delivery of Company's objects with a view to translate opportunities into reality. It involves leveraging its resources and aligning its activities to consumer need, shareholder benefit and employee growth, thereby delighting all its stakeholders while minimising risks. The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness, and to develop capabilities and identify opportunities that best serves the goal of value creation, thereby, creating an outperforming organisation.

Your Company believes that a company needs to leverage resources to translate opportunities into reality; to infuse people with a vision which sparks dynamism and entrepreneurship, creates a system of succession which combines stability with flexibility and continuity with change. Accordingly, your Company has been consistently working towards exploring newer and better avenues for self development and personal growth of the individuals, who are core to the existence and sustainability of the organisation, on the twin parameters of potential and performance. People continue to be our thrust for not only achieving the organic growth, but also to secure the dynamism and excellence of its management resource, that the organisation takes pride in having nurtured in a focussed and a most pragmatic manner.

Above all else, corporate governance must balance individual interest with corporate goals and operate within accepted norms of ethical behaviour, propriety, equity, fair play and a sense of justice. Achieving this balance depends upon how accountable and transparent the Company is. Accountability improves decision making. Transparency helps to explain the rationale behind decisions, and thereby builds stakeholder confidence.

### BOARD OF DIRECTORS

#### (a) Composition of the Board

During the year, 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. He was elected as director at the Annual General Meeting of the Company held on May 29, 2006 and appointed as the Chief Executive Officer and Managing Director of the Company for a term of five years on remuneration approved by the shareholders.

The Board comprising of ten directors is headed by a Non-executive Chairman and represents the optimum mix of professionalism, knowledge and experience with a team of four wholetime and five independent directors. Details are given in Table 1.

Subject to the overall superintendence and control of the Board, the day to day management of the Company is vested 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.

Mr. Anoop Mathur has ceased to be a member of the Management Committee with effect from December 31, 2006, consequent to his early retirement from the services of the Company.

#### b) Number of Board meetings

There were seven Board meetings during the year ended December 31, 2006. These were on February 14, 2006, April 28, 2006, May 29, 2006, July 30, 2006, September 8, 2006, October 31, 2006 and December 19, 2006 and the maximum interval between any two meetings was not more than 75 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 public limited companies (including HLL) incorporated in India | Total Memberships (Chairmanships) of the Committees as stipulated in Revised Clause 49 of the Listing Agreement |
|------------------|--|-------------------------------------|---|---------------------------|---|---|
| Harish Manwani   | Non-Executive Chairman and Director                    | 7                                   | 7                                       | Yes                       | 1   | Nil   |
| Douglas Baillie@ | Chief Executive Officer and Managing Director          | 7                                   | 6                                       | Yes                       | 1   | Nil   |
| M.K. Sharma      | Executive Vice-Chairman and whole-time Director        | 7                                   | 7                                       | Yes                       | 3   | 3 (1)   |
| D.S. Parekh      | Non-Executive and Independent Director                 | 7                                   | 7                                       | Yes                       | 13  | 8 (5)   |
| V. Narayanan     | Non-Executive and Independent Director                 | 7                                   | 7                                       | Yes                       | 12  | 8 (5)   |
| C.K. Prahalad    | Non-Executive and Independent Director                 | 7                                   | 5                                       | Yes                       | 1   | 1   |
| A. Narayan       | Non-Executive and Independent Director                 | 7                                   | 6                                       | Yes                       | 2   | 2 (1)   |
| S. Ramadorai     | Non-Executive and Independent Director                 | 7                                   | 5                                       | Yes                       | 12  | 4 (1)   |
| D. Sundaram      | Whole-time Director (Finance & Information Technology) | 7                                   | 7                                       | Yes                       | 4   | 2 (1)   |
| Arun Adhikari*   | Managing Director (Home & Personal Care)               | 7                                   | 1                                       | NA                        | NA  | NA  |
| S. Ravindranath  | Managing Director (Foods)                              | 7                                   | 7                                       | Yes                       | 2   | Nil   |

**Notes:** @ Joined the Board with effect from March 1, 2006.

\* Ceased to be a Director with effect from March 1, 2006.

Independent Director means a Director who has not been in the employment of the Company for a minimum period of three years preceding the year under reference and who apart from receiving Director's remuneration in the form of sitting fees and commission on profits, 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,
- \* minutes of meetings of the subsidiary companies,
- \* 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 shareholder services such as non-payment of dividend and delays in share transfer.

The Board 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 31 December 2006 that may have a potential conflict with the interests of the Company at large. However as a matter of abundant caution, the Company has recorded the relevant transactions with the Directors, Mr. Harish Manwani, Mr. M.K. Sharma, Mr. D. Sundaram and Mr. S. Ravindranath in connection with leasing of residential accommodation owned by them for use and occupation by the Company/ its employees, in the Registers maintained under Section 301 of the Companies Act, 1956. The lease in respect of the property owned by Mr. Harish Manwani has since been discontinued on and from June 1, 2006.

In September 2006, Mr. Harish Manwani, Non- Executive Director and Chairman of the Board of the Company and his wife, Mrs. Radha Manwani purchased an apartment from the Company for Rs. 118 million. In addition, stamp duties, registration charges and transfer charges for this purchase was fully borne by Mr. Manwani. The purchase was made at full market value with an open bidding/tendering process managed by independent property consultants. The independent directors of the Company, including the Chairman of the Audit Committee were fully consulted on this transaction and the same was subsequently recorded in the Minutes of the Board meeting held on September 8, 2006.

**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 2006**

**Rupees**

| Name of Director  | Relationship with other Directors | Sitting fees | Commission on profits | Salary      | Contribution to PF | Perquisites | Total       |
|-------------------|-----------------------------------|--------------|-----------------------|-------------|--------------------|-------------|-------------|
| Harish Manwani    | None                              | NA           | —                     | —           | —                  | 90,976      | 90,976      |
| Douglas Baillie** | None                              | NA           | 2,04,00,000           | 2,04,00,000 | 48,96,000          | 2,10,560    | 4,59,06,560 |
| M.K. Sharma       | None                              | NA           | 92,41,194             | 82,20,597   | 16,63,411          | 9,59,070    | 2,00,84,272 |
| D.S. Parekh       | None                              | 2,60,000     | 5,00,000 @            | NA          | NA                 | NA          | 7,60,000    |
| V. Narayanan      | None                              | 1,80,000     | 5,00,000 @            | NA          | NA                 | NA          | 6,80,000    |
| C.K. Prahalad     | None                              | 2,00,000     | 5,00,000 @            | NA          | NA                 | NA          | 7,00,000    |
| A. Narayan        | None                              | 3,20,000     | 5,00,000 @            | NA          | NA                 | NA          | 8,20,000    |
| S. Ramadorai      | None                              | 2,00,000     | 5,00,000 @            | NA          | NA                 | NA          | 7,00,000    |

|                  |                                   |              |                       |           |                    |             | Rupees      |
|------------------|-----------------------------------|--------------|-----------------------|-----------|--------------------|-------------|-------------|
| Name of Director | Relationship with other Directors | Sitting fees | Commission on profits | Salary    | Contribution to PF | Perquisites | Total       |
| D.Sundaram       | None                              | NA           | 86,59,449             | 43,29,729 | 15,58,702          | 12,44,375   | 1,57,92,255 |
| Arun Adhikari*   | None                              | NA           | 10,79,166             | 6,16,666  | 2,03,500           | 8,364       | 19,07,696   |
| S. Ravindranath  | None                              | NA           | 72,03,438             | 41,16,246 | 13,58,359          | 18,48,526   | 1,45,26,569 |

\*\* Pro-rata for ten month period from March 1, 2006

\* Pro-rata for two month period upto February 28, 2006

@ The Commission for the year ended December 31, 2006 @ Rs. 5 Lakhs per annum will be paid to independent Directors, subject to deduction of tax after adoption of accounts by shareholders at the Annual General Meeting to be held on May 18, 2007.

- 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 approval of the members at the Annual General Meeting of the Company held on May 29, 2006, the Company had adopted a revised Scheme "2006 HLL Performance Share Plan" in place of the existing "2001 HLL Stock Option Plan". The revised scheme provided for conditional grant of Performance Shares without charging premium to eligible management employees.

Table 3 gives the number of conditional grants made to the whole-time Directors under this scheme.

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

| Name of Director | Outstanding as at 31.12.2005 | Options exercised during 2006 | Conditional Grant Under HLL Performance Share Plan | Balance as of 31.12.2006 |                       |
|------------------|------------------------------|-------------------------------|--|--------------------------|-----------------------|
|                  |                              |                               |  | Stock options            | HLL Performance share |
| M.K. Sharma      | 135095                       | 42880                         | 4400   | 92215                    | 4400                  |
| D. Sundaram      | 155550                       | Nil                           | 3300   | 155550                   | 3300                  |
| Arun Adhikari    | 139495                       | 24800                         | Nil  | 114695                   | Nil                   |
| S. Ravindranath  | 150215                       | Nil                           | 7925   | 150215                   | 7925                  |

#### 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 management the annual financial statements of the subsidiary companies;
- \* 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. Minutes of each audit committee meeting are placed before, and when considered appropriate, discussed in the meeting of the Board.

The audit committee met six times during the year: February 14, 2006; April 28, 2006; June 27, 2006, July 30, 2006, October 31, 2006 and December 19, 2006. Table 4 gives the attendance record. The meetings on June 27, 2006 and December 19, 2006 were special Audit Committee meetings to review the internal control measures and for providing an update to the Board on the adequacy norms for the various systems and processes in place.

**Table 4 : Attendance record of audit committee members**

| Name of Director | No. of meetings | Meetings attended |
|------------------|-----------------|-------------------|
| D.S. Parekh      | 6               | 6                 |
| C.K. Prahalad    | 6               | 4                 |
| A. Narayan       | 6               | 6                 |
| S. Ramadorai     | 6               | 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**

Your Company's remuneration policy is based on three tenets: pay for responsibility, pay for performance and potential, and pay for growth. The 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 appointment of independent Directors, your Company benefits from the professional expertise in their individual capacity as independent professionals / Business Executives and through their invaluable experience in achieving corporate excellence. Accordingly, the service contract, notice period and severance fees, if any, of the Company are not applicable to such independent Directors.

However, the independent Directors are paid sitting fees @ Rs. 20,000/- for attending every meeting of the Board or committee thereof and commission on profits calculated on the basis of 1% of the net profits or Rs. 5 Lakhs for each year, whichever is lower, in terms of the approval of the shareholders sought at the Annual General Meeting of the Company held on June 24, 2005, which is valid for a period of five years upto December 31, 2010. The non-executive Chairman does not receive any remuneration from the Company.

As a Company policy, upon attaining the age of 70 years, the independent Directors seek retirement by not offering themselves for re-appointment at the Annual General Meeting of the Company ensuing after they have attained the age of 70 years.

The remuneration 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: April 28, 2006 and October 31, 2006.

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                 |

With the appointment of Mr. Douglas Baillie as the Chief Executive Officer and Managing Director of the Company, Mr. M.K. Sharma stepped down as member of the Compensation Committee and Mr. Baillie was appointed as a member of the Compensation Committee at the Remuneration Committee meeting held on April 28, 2006. 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, 2006 and December 15, 2006. 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                 |

## **COMPLIANCE**

A Code of Conduct, evolved in line with the industry practice was approved by the Audit Committee at its meeting held on February 14, 2006 for adoption by the Board, and all the Members of the Board and the Management committee have confirmed compliance with the Code of Conduct for the year under review, as adopted by the Company.

## **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. In matters other than those involving pecuniary interests, the Directors are considered to be interested to the extent of their shareholding in the Company and following is the status of their shareholding as on the date of this report :

| Name of Director | Number of shares | % holding |
|------------------|------------------|-----------|
| Harish Manwani   | 22130            | 0.001     |
| Douglas Baillie  | Nil              | NA        |
| M.K. Sharma      | 51880            | 0.002     |
| S. Ravindranath  | 52546            | 0.002     |
| D.Sundaram       | 22020            | 0.001     |
| Aditya Narayan   | Nil              | NA        |
| V. Narayanan     | 19390            | 0.001     |

| Name of Director | Number of shares | % holding |
|------------------|------------------|-----------|
| D.S. Parekh      | 38250            | 0.002     |
| C.K. Prahalad    | Nil              | NA        |
| S. Ramadorai     | Nil              | NA        |

Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report and they are not in conflict with the interest of the Company at large.

During the year, the Company evolved a Whistle Blowing Policy to provide appropriate avenues to the employees to bring to the attention of the management any issue which is perceived to be in violation or in conflict with the fundamental business principles of the Company, as enunciated in the Code of Business Principles (CoBP) reproduced as a part of this report. Efforts are underway to implement suitable mechanisms and provide recourse to employees desirous of reporting under the Whistle Blowing Policy, pursuant to recommendations of the Audit committee, as noted in the meeting held on April 28, 2006 and June 27, 2006.

## SHAREHOLDERS

### a) Disclosures regarding appointment or re-appointment of Directors

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

Accordingly, 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 was duly elected by the Shareholders of the Company at the Annual General Meeting of the Company on May 29, 2006 to hold office for a term of five years and as per the Articles of Association is not liable to retire at the ensuing Annual General Meeting of the Company.

Mr. M.K. Sharma and Mr. S. Ravindranath, who will be retiring from the services of the Company on May 31, 2007 and April 30, 2007 respectively, upon achieving the age of superannuation, will not offer themselves for re-appointment.

All the other Directors are eligible and are offering themselves for re-election save and except Mr. Douglas Baillie – Managing Director & CEO who has been elected for a term of 5 years effective from March 1, 2006.

Notices have also been received from members together with requisite deposits pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Nitin Paranjpe, Executive Director – HPC and Mr. Sanjiv Kakkar – Executive Director – Foods, for elevation as directors of the Company at the ensuing AGM and for being appointed as wholetime directors of the Company with effect from June 1, 2007.

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 Masters 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 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 L.L.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.
- \* **D.S. Parekh (62)** 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 is a member of several prestigious committees appointed by the Government of India including on Foreign Direct Investment (FDI) and a recipient of Padma Bhushan in recognition for his contributions to the national economy and public policy. Mr. Parekh joined the Board of Hindustan Lever in May 1997.
- \* **V. Narayanan (69)** 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 (65)** 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 (62)** 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 Masters 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. Mr. Ramadorai was conferred the prestigious Padma Bhushan by the President of India in recognition of his contributions to trade and public policy of the country.
- \* **A. Narayan (55)** 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** (54) 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. Mr. Sundaram was conferred the honour of "CFO of the Year" for the FMCG Sector, during the year.
- \* **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.

Following the retirement of Mr. M.K. Sharma and Mr. S. Ravindranath from the services of the Company, upon attaining the age of superannuation, with effect from May 31, 2007 and April 30, 2007 respectively, it is proposed to appoint Mr. Nitin Paranjpe and Mr. Sanjiv Kakkar as wholetime Directors of the Company, with effect from June 1, 2007, subject to approval of members at the forthcoming AGM of the Company on May 18, 2007. Their brief bio-data is given hereunder -

- \* **Mr. Nitin Paranjpe** (43) after obtaining a degree in BE (Mech) and MBA in Marketing (JBIMS) from Mumbai joined the Company as a Management Trainee in 1987. In his early years in the Company, Mr. Paranjpe worked as Area Sales Manager – Detergents and then Product Manager – Detergents. In April 1996, he became the Branch Manager, Chennai and in February 1999 was appointed a member of the Project Millennium team. In 2000, he moved to Unilever, London and was involved in a review of the Organisation Structure. During 2001, he was Assistant to the Unilever Chairman & Executive Committee in London. On his return to India in 2002, he became the Category Head – Fabric Wash & Regional Brand Director (Asia) for some Laundry and Household Cleaning (HHC) Brands. In 2004, he became Vice President – Home Care (Laundry & HHC) India responsible for the top and bottom-line of the Homecare business. Effective March 2006 Mr. Paranjpe is the Executive Director for the Home & Personal Care business.
- \* **Mr. Sanjiv Kakkar** (44) is BA (Economics) and PGDM from IIM Ahmedabad with 23 years work experience. Mr. Kakkar joined the Company in June 1984 and has worked in various Sales and Marketing assignments. His marketing experience spans across categories including Beverages, Personal Products and Oral & Hair Care. He has also had key stints as Category Head of Oral and General Manager – Sales & Customer Management of Personal Products. He was appointed Vice President – Oral & Hair Care in May 2004. In March 2006, Mr. Kakkar was appointed as Executive Director - Foods and joined the Management Committee on 1st January 2007.

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](http://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 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, 2003    | 29th June, 2004 | 15.00 hrs | Birla Matushri Sabhagarh,<br>Marine Lines, Mumbai 400 020. |
| 31st December, 2004    | 24th June, 2005 | 15.00 hrs | Birla Matushri Sabhagarh,<br>Marine Lines, Mumbai 400 020. |
| 31st December, 2005    | 29th May, 2006  | 15.00 hrs | Birla Matushri Sabhagarh,<br>Marine Lines, Mumbai 400 020. |

**g) Special Resolution**

A summary of the items of business approved by the members as Special Resolutions, in the last three years, is given hereunder

1. AGM held on June 29, 2004
  - Amendment to Article 113A of the Articles of Association of the Company with regard to increase in the limit of payment of sitting fees to independent directors to Rs. 20,000/- for attending every meeting of the Board or committee thereof.
  - Increase in the monetary limit for grant of stock options from 1 Crore to 1.5 Crore equity shares of Re.1/- each, in terms of "2001 HLL Stock Option Plan".
2. AGM held on June 24, 2005
  - Amendment to Article 107 of the Articles of Association of the Company fixing the minimum and maximum number of directors at 3 and 12 respectively.
  - Issue of Company shares to the shareholders of International Fisheries Limited and Toc Disinfectants Limited in terms of the Scheme of Arrangement for amalgamation of the said companies, pursuant to Sections 391 to 394 of the Companies Act, 1956.
  - Fixing of remuneration of the independent Directors of the Company at 1% of the net profits of the Company or Rs. 60 Lakhs, annually on a cumulative basis.
  - Voluntary delisting of shares from the Stock Exchanges at Delhi, Chennai, Kolkata, Ahmedabad, Guwahati, Bangalore and Cochin.
3. During the year following are the two items on which approval of the members were sought by way of a special resolution, at the Annual General Meeting of the Company held on May 29, 2006 :
  - Adoption of a revised "2006 HLL Share Performance Scheme" in place of the existing "2001 HLL Stock Option Plan", on terms and conditions stipulated under the revised Scheme.
  - Revision in the price of Stock Options granted by the Company on April 24, 2003 to the eligible management employees of the Company from Rs. 136.00 to Rs. 127.24 i.e. an adjustment of Rs.8.76 per share.

The aforesaid resolutions were carried forward by an overwhelming majority of the members at the said meeting and were implemented by the Company during the year.

**h) Postal ballots**

Pursuant to Section 192 A of the Companies Act, 1956, the approval of the shareholders is being sought by way of Postal Ballot, through an Ordinary Resolution for transfer by way of sale its marine business involved in the manufacture of surimi, crabstick, shrimp salad and other allied products at Chorwad in Gujarat and at Kuthiathode and Aroor in Kerala. The postal ballot results are scheduled to be announced on March 31, 2007 at the Registered Office of the Company.

**i) Non-mandatory requirements**

The Company has constituted a Remuneration Committee comprising of four independent directors, as its members, supplemented by a Compensation Committee comprising of the Non-executive Chairman and the Managing Director and CEO of the Company, on matters involving performance evaluation and quantum of reward and compensation to be awarded as per the remuneration policy of the Company.

Since the Financial Results are published in leading news papers as well as displayed on Company's website, except for the Annual Results, dispatch of quarterly/ half-yearly results to each household of the shareholders is not undertaken by the Company.

The whistle blowing policy, as a measure to provide direct access to employees desirous of reporting to the management on issues involving company policies, was reviewed by the Audit Committee and adopted by the Board in July 2006.

**Other information**

In line with the approval of the Government, royalty payable to Unilever PLC for the year 2006 @ 1% of qualifying turnover of Rs. 7172.36 Crores amounting to Rs. 71.72 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 :

| <b>Name of the Company</b>   | <b>Balance as at<br/>31st December, 2006</b> | <b>Rs. Lakhs<br/>Maximum outstanding<br/>during the year</b> |
|--|--|--|
| Modern Food Industries (India) Limited   | <b>103,80.00</b>                             | 103,80.00  |
| Bon Limited  | <b>37,50.00</b>                              | 37,50.00   |
| Pond's Export Limited  | <b>7,39.98</b>                               | 7,39.98  |
| Indigo Lever Shared Services Limited   | —  | 8,50.00  |
| Daverashola Estates Private Limited (Formerly Hindustan Kwaliti Walls Limited) | <b>10,53.00</b>                              | 10,53.00   |
| Doom Dooma Tea Company Limited   | —  | 1,50.00  |
| Tea Estates India Limited  | —  | 3,30.00  |

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.

## CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To,

The Board of Directors  
HINDUSTAN LEVER LIMITED

We, the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of Hindustan Lever Limited ("the Company"), to the best of our knowledge and belief certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year ended on December 31, 2006 and based on our knowledge and belief, we state that:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.  
We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.
- (c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
  - (i) significant changes, if any, in the internal control over financial reporting during the year;
  - (ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

Douglas Baillie  
Managing Director & CEO

D Sundaram  
Finance Director & CFO

Mumbai,  
February 20, 2007

## ANNEXURE TO CORPORATE GOVERNANCE REPORT

## \* LIST OF COMPANIES IN WHICH THE DIRECTORS ARE BOARD/COMMITTEE MEMBERS

| Name of the Director                                      | Directorships                                   |   | Committee Memberships/Chairmanships                |  |                    |
|---|---|---|--|--|--------------------|
|   | Name of the Company                             | Position                                      | Name of the Company                                | Committee  | Position           |
| H. MANWANI  | Hindustan Lever Limited                         | Non-Executive Chairman                        |  | None   |                    |
| D. A. BAILLIE   | Hindustan Lever Limited                         | Chief Executive Officer and Managing Director |  | None   |                    |
| M. K. SHARMA  | Hindustan Lever Limited                         | Director & Vice Chairman                      | Hindustan Lever Limited                            | Investor Grievance Committee                           | Member             |
|   | Unilever India Exports Limited                  | Chairman                                      | ICICI Bank Limited                                 | Audit Committee  | Member             |
|   | ICICI Bank Limited                              | Non-Executive Director                        | ICICI Bank Limited                                 | Share Transfer & Investor Grievance Committee          | Chairman           |
| D. SUNDARAM   | Hindustan Lever Limited                         | Wholtime Director-Finance                     | Hindustan Lever Limited                            | Investor Grievance Committee                           | Member             |
|   | SBI Capital Markets Ltd.                        | Director                                      | SBI Capital Markets Ltd.                           | Audit Committee  | Chairman           |
|   | Unilever India Exports Limited                  | Director                                      |  |  |                    |
|   | Unilever India Shared Services Limited          | Director                                      |  |  |                    |
| S. RAVINDRANATH   | Hindustan Lever Limited                         | Wholtime Director & Managing Director         |  | None   |                    |
|   | Unilever India Exports Limited                  | Director                                      |  |  |                    |
| A. NARAYAN  | Hindustan Lever Limited                         | Non-Executive Director                        | Hindustan Lever Limited                            | Audit Committee  | Member             |
|   | ICI India Limited                               | Non-Executive Chairman                        | Hindustan Lever Limited<br>Hindustan Lever Limited | Investor Grievance Committee<br>Remuneration Committee | Chairman<br>Member |
| V. NARAYANAN  | Hindustan Lever Limited                         | Non-Executive Director                        | Bata India Limited                                 | Audit Committee  | Chairman           |
|   | MM Forgings Limited                             | Chairman                                      | MM Forgings Limited                                | Audit Committee  | Chairman           |
|   | Pond's Exports Limited                          | Chairman                                      | Pond's Exports Limited                             | Audit Committee  | Chairman           |
|   | Bata India Limited                              | Director                                      | Tamil Nadu Newsprint & Papers Limited              | Audit Committee  | Chairman           |
|   | Glaxo SmithKline Pharmaceuticals Limited        | Director                                      | UCAL Fuel Systems Ltd.                             | Audit Committee  | Chairman           |
|   | Rane Holdings Limited                           | Director                                      | Glaxo SmithKline                                   |  |                    |
|   | Rane (Madras) Limited                           | Director                                      | Pharmaceuticals Limited                            | Audit Committee  | Member             |
|   | Samcor Glass Limited                            | Director                                      | Rane (Madras) Limited                              | Audit Committee  | Member             |
|   | Samtel Colour Limited                           | Director                                      | Sundram Fasteners Limited                          | Audit Committee  | Member             |
|   | Sundram Fasteners Limited                       | Director                                      |  |  |                    |
|   | Tamil Nadu Newsprint & Papers Limited           | Director                                      |  |  |                    |
|   | UCAL Fuel Systems Limited                       | Director                                      |  |  |                    |
|   | C. K. PRAHALAD                                  | Hindustan Lever Limited                       | Non-Executive Director                             | Hindustan Lever Limited                                | Audit Committee    |
| D. S. PAREKH  | Hindustan Lever Limited                         | Non-Executive Director                        | Hindustan Lever Limited                            | Audit Committee  | Chairman           |
|   | Glaxo SmithKline Pharmaceuticals Ltd.           | Chairman                                      | Castrol India Ltd.                                 | Audit Committee  | Chairman           |
|   | HDFC Asset Management Co. Ltd.                  | Chairman                                      | Glaxo SmithKline                                   |  |                    |
|   | HDFC Chubb General Insurance Company Ltd.       | Chairman                                      | Pharmaceuticals Ltd.                               | Audit Committee  | Chairman           |
|   | HDFC Standard Life Insurance Co. Ltd.           | Chairman                                      | Mahindra & Mahindra Ltd.                           | Audit Committee  | Chairman           |
|   | Housing Development Finance Corporation Limited | Chairman                                      | Motor Industries Co. Ltd.                          | Audit Committee  | Chairman           |
|   | Infrastructure Development Finance Co. Ltd.     | Chairman                                      | Siemens Limited                                    | Audit Committee  | Member             |
|   | Siemens Limited                                 | Chairman                                      | The Indian Hotels Co. Ltd.                         | Audit Committee  | Member             |
|   | Castrol India Ltd.                              | Director                                      | Motor Industries Co. Ltd.                          | Investor Grievance Committee                           | Member             |
|   | Hindustan Oil Exploration Co. Ltd.              | Director                                      |  |  |                    |
|   | Mahindra and Mahindra Ltd.                      | Director                                      |  |  |                    |
|   | Motor Industries Co. Ltd.                       | Director                                      |  |  |                    |
|   | The Indian Hotels Co. Ltd.                      | Director                                      |  |  |                    |
|   | S. RAMADORAI                                    | Hindustan Lever Limited                       | Non-Executive Director                             | Hindustan Lever Limited                                | Audit Committee    |
| CMC Limited   |   | Chairman                                      | Tata Technologies Limited                          | Audit Committee  | Chairman           |
| Tata Technologies Limited                                 |   | Chairman                                      | Tata Elxsi Limited                                 | Audit Committee  | Member             |
| Tata Elxsi Limited  |   | Vice Chairman                                 | Tata Consultancy Services Limited                  | Shareholders/Investor Grievance Committee              | Member             |
| Tata Consultancy Services Limited                         |   | Managing Director                             | Limited  |  |                    |
| Aviation Software Development Consultancy India Limited** |   | Director                                      |  |  |                    |
| C-Edge Technologies Limited                               |   | Director                                      |  |  |                    |
| Nicholas Piramal India Limited                            |   | Director                                      |  |  |                    |
| Tata Industries Limited                                   |   | Director                                      |  |  |                    |
| Tata Teleservices (Maharashtra) Limited                   |   | Director                                      |  |  |                    |
| Tata Teleservices Limited                                 |   | Director                                      |  |  |                    |
| WTI Advanced Technology Ltd.                              |   | Director                                      |  |  |                    |

\* As prescribed under Sections 275 & 278 of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

\*\* Already amalgamated with Tata Consultancy Services Limited, yet to be dissolved

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

**Auditors' Certificate regarding compliance of conditions of Corporate Governance**

To the members of Hindustan Lever Limited

We have examined the compliance of the conditions of Corporate Governance by Hindustan Lever Limited, for the year ended 31st December, 2006, as stipulated in clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the 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 an 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 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*  
*March 30, 2007*

## Additional Information for Shareholders

### Annual General Meeting

Date : 18 May 2007  
 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 2006, results were announced on:

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

For the year ended 31 December 2007, the tentative dates for announcement of the results

- 30 April 2007 : First quarter
- 29 July 2007 : Half yearly
- 31 October 2007 : Third quarter
- 15 February 2008 : Fourth quarter and annual.

### Book Closure

The book closure period for final dividend is from 24 April 2007 to 7 May 2007, inclusive of both days.

### Dividend

An interim dividend of Rs. 3/- per share aggregating in all to Rs. 661.72 crores was declared on 30 July 2006 and paid on 22 August, 2006. A final dividend of Rs. 3/- per share aggregating in all to Rs.662.03 crores was recommended on 20 February, 2007 and subject to the approval of the shareholders at the Annual General Meeting will be payable on 22 May, 2007.

### Payment of Dividend

Your Company is exploring all the possibilities of remitting the dividend through electronic media, essentially to ensure quick remittance along with the added advantages of eliminating the delay in postal transit and fraudulent encashment of dividend warrants.

Securities and Exchange Board of India (SEBI) has made it mandatory for all the companies to use the bank account details furnished by the investors for distributing dividends through Electronic Clearing Service (ECS) to the investors wherever ECS and bank details are available. In the absence of ECS facility, the companies are required to print the bank account details, if available, on the payment instruments, for the distribution of dividends to the investors. Therefore ECS details contained in the BENPOS downloaded from the Depositories would be reckoned for payment of dividend.

The Company and its bankers would make their best efforts to remit dividend through ECS, subject to participation of the bank mandated by the shareholder at the following 41 locations.

| Sr. No. | Locations    | Sr. No. | Locations  | Sr. No. | Locations             |
|---------|--------------|---------|------------|---------|-----------------------|
| 1.      | Agra         | 15.     | Guwahati   | 29.     | New Delhi (Ghaziabad, |
| 2.      | Ahmedabad    | 16.     | Hubli      |         | Faridabad and Noida)  |
| 3.      | Allahabad    | 17.     | Hyderabad  | 30.     | Panaji                |
| 4.      | Bangalore    | 18.     | Indore     | 31.     | Patna                 |
| 5.      | Baroda       | 19.     | Jaipur     | 32.     | Pune                  |
| 6.      | Bhopal       | 20.     | Jamshedpur | 33.     | Rajkot                |
| 7.      | Bhubaneshwar | 21.     | Kanpur     | 34.     | Shimla                |
| 8.      | Calcutta     | 22.     | Kolhapur   | 35.     | Siliguri              |
| 9.      | Chandigarh   | 23.     | Lucknow    | 36.     | Surat                 |
| 10.     | Chennai      | 24.     | Ludhiana   | 37.     | Thiruvananthapuram    |
| 11.     | Cochin       | 25.     | Mangalore  | 38.     | Trichy                |
| 12.     | Coimbatore   | 26.     | Mumbai     | 39.     | Trichur               |
| 13.     | Dehradun     | 27.     | Nagpur     | 40.     | Varanasi              |
| 14.     | Durgapur     | 28.     | Nashik     | 41.     | Vijayawada            |

For locations other than the above the Company is exploring the possibility of remitting the dividend electronically by way of National Electronic Funds Transfer (NEFT) using ECS details registered by you either with us or your DP.

In view of the above :

1. if you are located at the above ECS centre and have not registered your ECS, please arrange to forward your ECS mandate to your DP if the shares are held in demat mode, or to the Company/its Registrars if the shares are held in physical form, immediately.
2. even if you are not located at the above ECS centres, please register your ECS (as stated in point 1 above), as the Company and its bankers will make best endeavours to remit dividend electronically by other modes like NEFT.
3. if your bank particulars have changed either due to your banker having migrated their operations to core banking solutions and / or merged with another bank, please arrange to register the ECS with the revised bank particulars.

4. if you are receiving the ECS credit promptly, please ignore sending ECS mandate.

The Company will use the ECS mandate for remittance of dividend either through ECS or NEFT, failing which the bank details will be printed on dividend warrant.

All the arrangements are subject to RBI guidelines, issued from time to time.

Your new instructions will supercede all your existing instructions for dividend remittance.

Members having shares in physical form may either access the Company's website [www.hll.com](http://www.hll.com) for downloading the ECS Registration form or obtain it from the Company or its Registrar.

#### Listing :

Pursuant to the approval of the Members at the AGM held on 24th June 2005, the Company has completed the process of 'voluntary delisting' of its shares from seven Stock Exchanges as detailed hereunder

| Name of the Stock Exchange                      | Delisted w.e.f. |
|---|-----------------|
| Bangalore Stock Exchange Limited                | 16.09.2005      |
| The Stock Exchange - Ahmedabad                  | 11.10.2005      |
| The Delhi Stock Exchange Association Limited    | 14.10.2005      |
| The Gauhati Stock Exchange Limited              | 23.03.2006      |
| Madras Stock Exchange Limited                   | 31.03.2006      |
| The Calcutta Stock Exchange Association Limited | 14.08.2006      |
| Cochin Stock Exchange Limited                   | 18.09.2006      |

#### Names of the Stock Exchange on which shares are listed

Bombay Stock Exchange Limited

National Stock Exchange of India Limited

#### Stock Code

500696

HINDLEVER

The ISIN Number (or demat number) of Hindustan Lever 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 Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) for the year ended 31 December 2006.

**Table 1 : Monthly share price data and volumes, BSE**

| Month, 2006 | High          | Low           | Volume            |
|-------------|---------------|---------------|-------------------|
| January     | 200.90        | 181.25        | <b>9,893,222</b>  |
| February    | 252.00        | 188.25        | <b>38,912,591</b> |
| March       | 278.40        | 235.00        | 30,584,997        |
| April       | <b>296.00</b> | 263.10        | 21,332,325        |
| May         | 295.85        | 216.00        | 17,583,833        |
| June        | 245.40        | <b>179.90</b> | 26,383,728        |
| July        | 249.90        | 216.50        | 21,550,257        |
| August      | 250.00        | 215.10        | 20,516,809        |
| September   | 262.50        | 225.05        | 11,886,439        |
| October     | 258.00        | 222.15        | 18,506,138        |
| November    | 255.00        | 230.00        | 21,655,061        |
| December    | 243.00        | 215.55        | 12,162,203        |

**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.

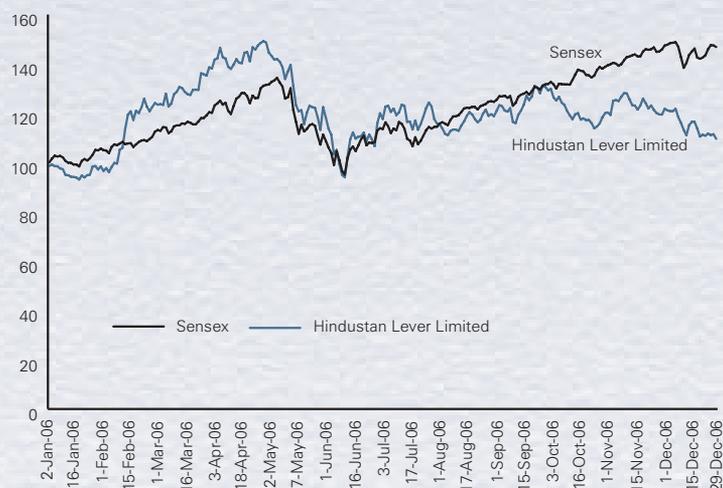
**Table 2 : Monthly share price data and volumes, NSE**

| Month, 2006 | High          | Low           | Volume             |
|-------------|---------------|---------------|--------------------|
| January     | 201.05        | 181.05        | <b>35,447,901</b>  |
| February    | 252.65        | 188.00        | <b>106,022,460</b> |
| March       | 279.00        | 238.40        | 70,469,305         |
| April       | <b>296.00</b> | 263.30        | 70,599,828         |
| May         | 295.85        | 215.00        | 69,492,359         |
| June        | 245.10        | <b>180.00</b> | 68,355,437         |
| July        | 249.50        | 216.35        | 59,684,679         |
| August      | 242.85        | 217.90        | 72,969,836         |
| September   | 262.95        | 225.10        | 48,638,542         |
| October     | 258.00        | 222.70        | 75,699,447         |
| November    | 255.30        | 231.05        | 82,164,152         |
| December    | 244.00        | 215.25        | 64,292,301         |

**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.

Sensex vs. Hindustan Lever

Chart A : Plots Hindustan Lever's share prices with the BSE Sensex for 2006



Performance 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).

Table 3:

| Date of Purchase | HLL share price | HLL Share Performance | BSE Sensex | Sensex Performance |
|------------------|-----------------|-----------------------|------------|--------------------|
| 1-Jan-96         | 57.50           | 276.4%                | 3128       | 345.7%             |
| 1-Jan-97         | 81.70           | 164.9%                | 3261       | 327.6%             |
| 1-Jan-98         | 139.43          | 55.2%                 | 3695       | 277.4%             |
| 1-Jan-99         | 165.25          | 31.0%                 | 3060       | 355.6%             |
| 3-Jan-00         | 239.12          | -9.5%                 | 5375       | 159.4%             |
| 1-Jan-01         | 200.00          | 8.2%                  | 3955       | 252.5%             |
| 1-Jan-02         | 220.50          | -1.8%                 | 3246       | 329.5%             |
| 1-Jan-03         | 181.65          | 19.2%                 | 3390       | 311.3%             |
| 1-Jan-04         | 212.60          | 1.8%                  | 5915       | 135.7%             |
| 3-Jan-05         | 144.35          | 49.9%                 | 6679       | 108.7%             |
| 2-Jan-06         | 195.20          | 10.9%                 | 9390       | 48.5%              |
| 2-Jan-07         | 216.45          |                       | 13942      |                    |

Note : All comparisons are with respect to 2 January 2007 (the reference date).

Distribution of shareholding

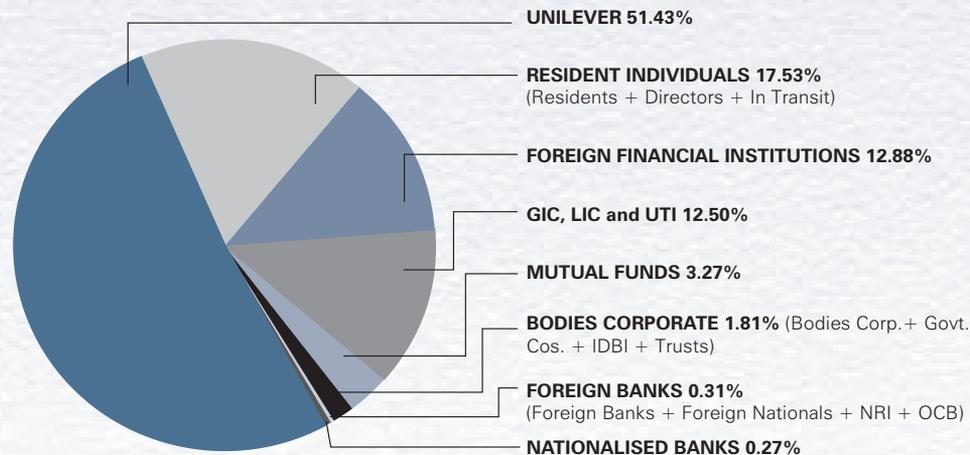
Tables 4 and 5 gives the distribution pattern of shareholding of Hindustan Lever as on 31 December 2006.

Table 4 : Distribution of Shareholding by size class, 31 December 2006

| Holdings         | Shareholders    |               | Shares                |               |
|------------------|-----------------|---------------|-----------------------|---------------|
|                  | Number          | % to total    | Number                | % to total    |
| 1-500            | 2,77,127        | 70.94         | 3,35,72,395           | 1.52          |
| 501-1000         | 36,542          | 9.35          | 2,85,02,760           | 1.29          |
| 1001-5000        | 60,462          | 15.48         | 14,38,11,673          | 6.52          |
| 5001-10000       | 9,928           | 2.54          | 6,94,86,586           | 3.15          |
| 10001-20000      | 4,279           | 1.10          | 5,87,60,406           | 2.66          |
| 20001-30000      | 1,052           | 0.27          | 2,55,14,537           | 1.16          |
| 30001-40000      | 405             | 0.10          | 1,38,87,789           | 0.63          |
| 40001-50000      | 201             | 0.05          | 90,01,637             | 0.41          |
| 50001-100000     | 287             | 0.07          | 1,98,55,505           | 0.90          |
| 100001 and above | 373             | 0.10          | 1,80,31,50,383        | 81.71         |
| In-transit       |                 |               | 12,32,426             | 0.05          |
| <b>Total</b>     | <b>3,90,656</b> | <b>100.00</b> | <b>2,20,67,76,097</b> | <b>100.00</b> |

**Table 5 : Distribution of shareholding by ownership, 31 December 2006**

| Category                               | Shares held (Nos.)    | % of holdings |
|--|-----------------------|---------------|
| Unilever and its associates            | 1,13,48,49,460        | 51.43         |
| <b>Sub total</b>                       | <b>1,13,48,49,460</b> | <b>51.43</b>  |
| Foreign Banks                          | 35,839                | 0.00          |
| Foreign Financial Institutions         | 28,41,70,438          | 12.88         |
| Foreign Nationals                      | 8,620                 | 0.00          |
| Non-Resident Indians                   | 67,69,393             | 0.31          |
| Overseas Corporate Bodies              | 3,600                 | 0.00          |
| <b>Sub total</b>                       | <b>29,09,87,890</b>   | <b>13.19</b>  |
| Bodies Corporate                       | 3,90,31,460           | 1.77          |
| General Insurance Corporation of India | 11,72,27,083          | 5.31          |
| Government Companies                   | 29,654                | 0.00          |
| Industrial Development Bank of India   | 1,02,962              | 0.00          |
| Life Insurance Corporation of India    | 15,83,66,035          | 7.18          |
| Mutual Fund                            | 7,22,50,027           | 3.27          |
| Nationalised Banks                     | 60,77,148             | 0.27          |
| Trusts                                 | 9,69,363              | 0.04          |
| Unit Trust of India                    | 2,31,730              | 0.01          |
| <b>Sub total</b>                       | <b>39,42,85,462</b>   | <b>17.85</b>  |
| Resident Individuals                   | 38,52,09,513          | 17.46         |
| <b>Sub total</b>                       | <b>38,52,09,513</b>   | <b>17.46</b>  |
| Directors and their Relatives          | 2,11,346              | 0.01          |
| <b>Sub total</b>                       | <b>2,11,346</b>       | <b>0.01</b>   |
| In-transit                             | 12,32,426             | 0.06          |
| <b>Sub total</b>                       | <b>12,32,426</b>      | <b>0.06</b>   |
| <b>Total</b>                           | <b>2,20,67,76,097</b> | <b>100.00</b> |

**SHAREHOLDING DISTRIBUTION BY OWNERSHIP****Share Transfer System**

The Board has constituted a Committee and has delegated it the power to attend to share transfer matters. The constitution of the Committee is any three directors, who meet once a week to approve the share transfers and other related matters.

**Secretarial Audit Report**

As stipulated by the Securities and Exchange Board of India, a qualified Practicing Company Secretary carries out the Secretarial Audit Report to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital of the Company. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors. The audit, inter alia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

**Shares held in physical and dematerialised form**

As on December 31, 2006, 43.60 per cent of Hindustan Lever's shares were held in dematerialised form and the rest in physical form. It needs to be mentioned that Unilever and its affiliates own 51.43 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 89.76 per cent of the remainder.

**Table 6 : Bifurcation of shares held in Physical and Demat form as on 31 December, 2006**

|                           |                |        |
|---------------------------|----------------|--------|
| <b>Physical Segment</b>   |                |        |
| Unilever & its associates | 1,13,48,49,460 | 51.43% |
| Others                    | 10,96,89,043   | 4.97%  |
| <b>Demat Segment</b>      |                |        |
| NSDL                      | 93,96,71,453   | 42.58% |
| CDSL                      | 2,25,66,141    | 1.02%  |
|                           | 2,20,67,76,097 | 100%   |

With effect from 5th April, 1999, HLL shares appear in compulsory demat segment. Those members who still continue to hold shares in physical form, are requested to dematerialise their shares at the earliest and avail of the various benefits of dealing in securities in electronic/dematerialised form.

**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 Demergers**

Since the mid-1990s, Company's growth has been both organic and through mergers and demergers. The table 7 below gives the relevant data on such mergers/demergers from the year 1992 onwards. This table is also available on the Company's website www.hll.com.

**Table 7 : Details of mergers/demergers**

| Merging Company  | Merger / Demerger   | Appointed date | Effective date    | Date of allotment | Share ratio    | Value of fraction (Rs.) |
|--|---|----------------|-------------------|-------------------|----------------|-------------------------|
| Kothari General Foods Corporation Ltd.   | Brooke Bond India Ltd.  | 1 January 1992 | 1 January 1992    | 30 June 1992      | 21:1           | 7.00                    |
| Tea Estates India Ltd.   | Brooke Bond India Ltd.  | 1 January 1993 | 1 June 1993       | 24 August 1993    | 10:12          | 35.25                   |
| Doom Dooma India Ltd.  | Brooke Bond India Ltd.  | 1 January 1993 | 1 June 1993       | 24 August 1993    | 10:11          | 35.25                   |
| Kissan Products Ltd.   | Brooke Bond India Ltd.  | 1 April 1993   | 20 January 1994   | 22 January 1994   | 1:100          | Not Applicable          |
| Lipton India Ltd.  | Brooke Bond India Ltd.<br>[Name changed to Brooke Bond Lipton India Ltd. (BBLIL)] | 1 July 1993    | 9 March 1994      | 16 May 1994       | 10:9           | 48.99                   |
| The Tata Oil Mills Company Ltd.  | Hindustan Lever Limited   | 1 April 1993   | 28 December 1994  | 5 April 1995      | 15:2           | 38.86                   |
| Brooke Bond Lipton India Ltd.  | Hindustan Lever Limited   | 1 January 1996 | 21 March 1997     | 16 May 1997       | 20:9           | 52.82                   |
| Pond's (India) Ltd.  | Hindustan Lever Limited   | 1 January 1998 | 15 October 1998   | 3 March 1999      | 4:3            | 525.00                  |
| Industrial Perfumes Ltd.   | Hindustan Lever Limited   | 1 January 1999 | 9 February 2000   | 23 February 2000  | 5:2            | Not Applicable          |
| International Bestfoods Ltd.   | Hindustan Lever Limited   | 1 June 2001    | 26 September 2001 | 20 October 2001   | 3:2*           | 73.84                   |
| Aviance Limited  | Hindustan Lever Limited   | 1 July 2001    | 25 September 2001 | Not Applicable    | Not Applicable | Not Applicable          |
| Tea Estates India Ltd. (Formerly known as 'Thiashola Tea Company Limited') (TEI)       | Demerger from Hindustan Lever Limited   | 1 April 2005   | 1 December 2005   | 2 December 2005   | ^              | Not Applicable          |
| Doom Dooma Tea Company Ltd (Formerly known as 'Daverashola Tea Company Limited') (DDT) | Demerger from Hindustan Lever Limited   | 1 April 2005   | 1 December 2005   | 2 December 2005   | ^ ^            | Not Applicable          |
| Lever India Exports Limited  | Hindustan Lever Limited   | 1 April 2005   | 30 December 2005  | Not Applicable    | Not Applicable | Not Applicable          |
| Lipton India Exports Limited   | Hindustan Lever Limited   | 1 January 2005 | 30 December 2005  | Not Applicable    | Not Applicable | Not Applicable          |
| Merryweather Food Products Limited   | Hindustan Lever Limited   | 1 January 2005 | 30 December 2005  | Not Applicable    | Not Applicable | Not Applicable          |
| TOC Disinfectants Limited  | Hindustan Lever Limited   | 1 April 2005   | 30 December 2005  | 26 April 2006     | 500:1 **       | Not Applicable          |
| International Fisheries Limited  | Hindustan Lever Limited   | 1 January 2005 | 30 December 2005  | 26 April 2006     | 1:1****        | Not Applicable          |
| Vashisti Detergents Limited  | Hindustan Lever Limited   | 1 July 2005    | 28 February 2006  | 10 April 2006     | 10:1*****      | 28.00                   |

- Note : \* Swap based on Rs.10/- share of International Bestfoods Limited for Re.1/- share of Hindustan Lever Limited  
 \*\* Swap based on Rs. 5/- share of TOC Disinfectants Limited (TOC) for Re.1/- share of Hindustan Lever Limited  
 \*\*\* Swap based on Rs.100/- share of International Fisheries Limited (IFL) for Re.1/- share of Hindustan Lever Limited  
 \*\*\*\* Swap based on Rs.10/- share of Vashisti Detergents Limited (VDL) for Re.1/- share of Hindustan Lever Limited  
 ^ 49,50,000 Equity Shares of Rs.10/- each and 10,00,000 Preference Shares of Rs.100/- each were allotted to HLL pursuant to the demerger by TEI  
 ^ ^ 4,88,000 Equity Shares of Rs.100/- each and 10,00,000 Preference Shares of Rs.100/- each were allotted to HLL pursuant to the demerger by DDT

### 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, were outsourced to Karvy Computershare Pvt. Ltd.

#### a) Address for Correspondence

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

#### Registrars & Shares Transfer Agents

Karvy Computershare Private Limited  
 Unit : HINDUSTAN LEVER LIMITED  
 Plot No. 17 to 24, Vittalrao Nagar,  
 Madhapur, Hyderabad – 500 081.  
 Ph : +91 - 40 23420818-828  
 Fax : +91 - 40 23420814  
 E-mail : [igkcpl@karvy.com](mailto:igkcpl@karvy.com)  
 Website : [www.karvy.com](http://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](http://www.hll.com)

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

Tel : +91 - 22-3983452, 39832285, 39832567

#### Exclusive E-mail ID for redressal of investor complaints

In terms of Clause 47(f) of the Listing Agreement, please use the following contacts for redressal of Investor Complaints.

E-mail : [hllshare.cmpt@unilever.com](mailto:hllshare.cmpt@unilever.com)  
 Compliance Officer : Mr. Ashok K. Gupta, Company Secretary  
 Tel. Nos. : +91 - 22-39832567 / 39832385

#### b) Website ([www.hll.com](http://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, dematerialisation, 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 helps in improving our service to investors.

#### 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/-, 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 with the share certificates of the face value of Re. 1/-.

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 and will not be accepted by the DPs for demat) to Karvy Computershare Private Limited at the address stated above, along with a request letter signed by all holders.

**e) Consolidation of Folios**

Members are requested to consolidate their shareholdings held under multiple folios. This will not only reduce the cost of servicing the shareholders but also save them from the burden of receiving multiple communications and corporate benefits.

**f) 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 (IEPF) administered by the Central Government, and thereafter cannot be claimed by the investors. To ensure maximum disbursement of unclaimed dividend, the Company sends two reminders to the relevant investors, before transfer of dividend to IEPF. Table 8 gives the dates of dividend payment since 1999 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 9 and 10 gives the unclaimed dividend/debenture interest amount since 1999.

**Table 8 : Dividend Rate & Due Dates for transferring Unclaimed dividend to the Investor Education and Protection Fund**

| Year | Dividend | Type    | (Dividend Rate per share) (Rs.) | Date of Payment | Due Date of Transfer to IEPF |
|------|----------|---------|---------------------------------|-----------------|------------------------------|
| 1999 | 44F      | FINAL   | 17                              | 25.04.2000      | 05.06.2007                   |
| 2000 | 45I      | INTERIM | 1.5                             | 19.10.2000      | 29.11.2007                   |
| 2000 | 45F      | FINAL   | 2.0                             | 22.06.2001      | 02.08.2008                   |
| 2001 | 46I      | INTERIM | 2.5                             | 24.07.2001      | 22.08.2008                   |
| 2001 | 46F      | FINAL   | 2.5                             | 28.06.2002      | 27.07.2009                   |
| 2002 | 47I      | INTERIM | 2.5                             | 21.08.2002      | 19.09.2009                   |
| 2002 | 47F      | FINAL   | 2.659                           | 16.06.2003      | 15.07.2010                   |
| 2002 | 47S      | SPECIAL | 1.765                           | 08.07.2003      | 06.08.2010                   |
| 2003 | 48I      | INTERIM | 2.5                             | 28.08.2003      | 26.09.2010                   |
| 2003 | 48F      | FINAL   | 3.0                             | 02.07.2004      | 04.08.2011                   |
| 2004 | 49I      | INTERIM | 2.5                             | 27.08.2004      | 03.09.2011                   |
| 2004 | 49F      | FINAL   | 2.5                             | 27.06.2005      | 23.07.2012                   |
| 2005 | 50I      | INTERIM | 2.5                             | 24.08.2005      | 28.08.2012                   |
| 2005 | 50I(VDL) | INTERIM | 2.5                             | 10.04.2006      | 09.04.2013                   |
| 2005 | 50F      | FINAL   | 2.5                             | 30.05.2006      | 29.05.2013                   |
| 2006 | 51I      | INTERIM | 3.0                             | 22.08.2006      | 21.08.2013                   |

**Table 9 : Unclaimed dividend amount as on 31 December 2006**

| Year | Dividend | Type    | No. of warrants issued | No. of warrants unclaimed | % Unclaimed | Amount of dividend (Rs.) | Dividend Unclaimed (Rs.) | % Unclaimed |
|------|----------|---------|------------------------|---------------------------|-------------|--------------------------|--------------------------|-------------|
| 1999 | 44F      | FINAL   | 3,53,016               | 14,987                    | 4.25        | 3,74,10,00,000           | 1,76,64,084              | 0.5         |
| 2000 | 45I      | INTERIM | 3,74,828               | 22,427                    | 5.98        | 3,30,09,00,000           | 1,84,06,756              | 0.6         |
| 2000 | 45F      | FINAL   | 3,73,306               | 17,242                    | 4.62        | 4,40,12,00,000           | 2,15,09,075              | 0.5         |
| 2001 | 46I      | INTERIM | 3,69,667               | 21,506                    | 5.82        | 5,50,15,00,000           | 2,38,72,320              | 0.4         |
| 2001 | 46F      | FINAL   | 3,52,240               | 19,906                    | 5.65        | 5,50,31,09,000           | 2,50,82,170              | 0.5         |
| 2002 | 47I      | INTERIM | 3,70,239               | 19,461                    | 5.26        | 5,50,31,09,000           | 2,27,31,178              | 0.4         |
| 2002 | 47F      | FINAL   | 3,75,782               | 19,324                    | 5.14        | 5,85,31,07,000           | 2,75,19,293              | 0.5         |

| Year | Dividend | Type    | No. of warrants issued | No. of warrants unclaimed | % Unclaimed | Amount of dividend (Rs.) | Dividend Unclaimed (Rs.) | % Unclaimed |
|------|----------|---------|------------------------|---------------------------|-------------|--------------------------|--------------------------|-------------|
| 2002 | 47S      | SPECIAL | 3,76,369               | 24,967                    | 6.63        | 3,88,51,95,000           | 2,42,61,611              | 0.6         |
| 2003 | 48I      | INTERIM | 3,70,088               | 18,810                    | 5.08        | 5,50,31,09,000           | 2,38,95,970              | 0.4         |
| 2003 | 48F      | FINAL   | 3,58,576               | 17,863                    | 4.98        | 6,60,37,31,379           | 2,61,48,827              | 0.4         |
| 2004 | 49I      | INTERIM | 3,75,081               | 20,728                    | 5.53        | 5,50,31,09,000           | 3,26,45,514              | 0.6         |
| 2004 | 49F      | FINAL   | 3,50,630               | 20,872                    | 5.95        | 5,50,31,21,825           | 2,85,14,224              | 0.5         |
| 2005 | 50I      | INTERIM | 3,39,914               | 20,773                    | 6.11        | 5,50,31,21,825           | 2,37,49,259              | 0.4         |
| 2005 | 50I(VDL) | INTERIM | 65,899                 | 18,238                    | 27.68       | 86,16,105                | 4,16,979                 | 4.8         |
| 2005 | 50F      | FINAL   | 3,76,477               | 39,345                    | 10.45       | 5,51,21,35,867           | 3,85,46,264              | 0.7         |
| 2006 | 51I      | INTERIM | 3,92,889               | 45,317                    | 11.53       | 6,61,72,22,988           | 3,11,44,723              | 0.5         |

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

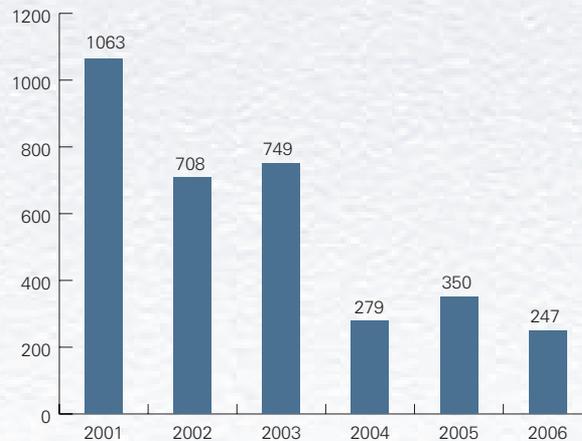
**Table 10 : Unclaimed Interest/redemption amount against Bonus Debentures as on 31 December 2006**

| Year | Redemption/Interest | Date of Payment | No. of warrants issued | No. of warrants unclaimed | % Unclaimed | Net Amount of Redemption/Interest (Rs. Lakhs) | Redemption/Interest Unclaimed (Rs.) | % Unclaimed | Due date for Transfer to IEPF |
|------|---------------------|-----------------|------------------------|---------------------------|-------------|---|-------------------------------------|-------------|-------------------------------|
| 2004 | Interest            | 1 July 2004     | 349823                 | 22195                     | 6.3         | 10692.44                                      | 63.66                               | 0.6         | 30 June 2011                  |
| 2005 | Interest            | 1 Jan. 2005     | 346555                 | 22103                     | 6.4         | 5336.17                                       | 26.56                               | 0.5         | 31 December 2011              |
| 2005 | Redemption          | 1 Jan. 2005     | 346555                 | 20495                     | 5.9         | 132074.63                                     | 630.53                              | 0.5         | 31 December 2011              |

**g) Number and nature of complaints regarding shares**

Chart B shows the complaints over the last six years. Table 11 gives the data on complaints regarding shares during the year ended 31 December 2006.

**Chart B : Complaints**



**Table 11 : Details of complaints regarding shares for the year ended 31 December 2006**

| Nature of complaint                       | No. of complaints | Complaints redressed |
|---|-------------------|----------------------|
| Non-receipt of dividend                   | 107               | 107                  |
| Non-receipt of shares lodged for Transfer | 105               | 103                  |
| Others                                    | 37                | 37                   |
| <b>Total</b>                              | <b>249</b>        | <b>247</b>           |

All the unresolved complaints were received in December 2006 and have been progressed further for resolution.

**Plant Location**
**NORTHERN REGION**

| Location                   | Address   |
|----------------------------|---|
| BAROTIWALA                 | Khasra No. 94-96, 355-409, Village Balyana, Barotiwala IA, Tehsil kasauli, District Solan, Himachal Pradesh - 174 103 |
| BASTI                      | Khalilabad Factory, Plot No. D34-D38, UPSIDC Industrial Area, District Basti, Khalilabad - 272 175, Uttar Pradesh     |
| ETAH - BEVERAGES           | G.T. Road, Etah - 207 001, Uttar Pradesh  |
| ETAH - INSTANT TEA EXPORTS | Kasganj Road, Etah - 207 001, Uttar Pradesh   |
| HARIDWAR                   | Plot No. 1, Sector 1A, Integrated Industrial Estate, Ranipur, Haridwar - 249 403, Uttaranchal                         |
| NALAGARH                   | Hudbust No. 143, Khasra No. 182, 183, 187/1, Village-Kirpalpur, Tehsil-Nalagarh, District Solan, Himachal Pradesh     |
| ORAI                       | A-1, Industrial Area, UPSIDC, Orai, Jalanun, Uttar Pradesh  |
| RAJPURA                    | A-5, Phase II-B, Focal Point, Rajpura - 140 401, Punjab   |
| SUMERPUR                   | A-1, UPSIDC Industrial Area, Bharua, Sumerpur, Hamirpur - 210 502, Uttar Pradesh                                      |

**SOUTHERN REGION**

| Location    | Address  |
|-------------|--|
| BANGALORE   | Industrial Suburb Stage II, Yashwantpur, Bangalore - 560 022           |
| CHENNAI     | CPT Campus, Taramani, Chennai - 600 113                                |
| COCHIN      | Tatapuram PO, Cochin - 682 014, Kerala                                 |
|             | Edapally, Cochin - 682 024, Kerala                                     |
| DHARWAD     | Plot No.125/126, KIADB Indl. Area, Belur - 580 011, Dharwad, Karnataka |
| HYDERABAD   | Uptal Kalan, Hyderabad - 500 039, Andhra Pradesh                       |
| TAMILNADU   | Plot No.50 & 51, SIPCOT Industrial Complex, Hosur - 635 109, Tamilnadu |
| MANGALORE   | Sultan Batter Road, Boloor, Mangalore - 575 003, Karnataka             |
| MYSORE      | Plot No.424, Hebbal Indl. Area, Mysore - 570 016, Karnataka            |
| PONDICHERRY | Off NH 45-A, Vadamangalam, Pondicherry - 605 102                       |
|             | No.3, Cuddalore Road, Kirumambakkam, Pondicherry - 607 402             |
|             | NH 45A, Vadamangalam, Pondicherry - 605 102                            |

**EASTERN REGION**

| Location   | Address   |
|------------|---|
| ASSAM      | Personal Products Factory, Dag No. 21 of 122 FS Grants, Mouza-Tingrai, Off NH No. 37, Doom Dooma Industrial Estate, Tinsukia - 786 151. Assam |
| HALDIA     | Haldia Factory, PO Durgachak, Haldia - 721 602, West Bengal   |
| JALPAIGURI | Dabgram Factory, Plot 21-33, WDIIDC Growth Centre, PO Phulbari, Dabgram - 734 435, Jalpaiguri, West Bengal                                    |
| KOLKATA    | Kidderpore Factory, 1, Transport Depot Road, Kolkata - 700 088, West Bengal   |
|            | Garden Reach Factory, 63, Garden Reach, Kolkata - 700 024, West Bengal  |
|            | Ice Cream Factory-DHR, 74, Dimand Harbour Road, Kolkata - 700 023, West Bengal  |
|            | Modern Food Industries (India) Limited, P10 Taratola Road, Kolkata - 700 088, West Bengal   |

**WESTERN REGION**

| Location   | Address  |
|------------|--|
| BULDHANA   | Khamgaon Factory, C-9, MIDC, Khamgaon - 444 303, Buldhana, Maharashtra   |
| CHHINDWARA | Chhindwara Factory, 5/6 KM stone, Narsinghpur Road, Lehgadua, Chhindwara - 480 002, Madhya Pradesh                         |
| CHIPLUN    | Plot No. B-7, Lote Parshuram MIDC, Post Box 6 (Lote), Khed Taluka, Ratnagiri, Chiplun - 415 722, Maharashtra               |
| DAMAN      | Detergents Factory, Survey No. 34, Bhimpore Village, Near Silver Industrial Estate, Nani Daman, Daman - 396 210            |
|            | Industrial Hygiene Unit, Survey No.56/2, Plot No. 17, Bhimpore Village, Silver Industrial Estate, Nani Daman - 396 210     |
| GOA        | Detergents Factory, Plot Nos. 132-139, Kundaim Industrial Estate, Kundaim, Goa - 403 115                                   |
| KALWA      | Bestfoods Division, Plot No.7 & 7A, MIDC Industrial Area, Thane - Belapur Road, Post Airoli, Maharashtra                   |
| KANDLA     | Shed Nos. 177 & 178, Sector - I, Plot Nos. 253-257, Sector IV, Kandla Special Economic Zone, Gandhidham - 370 230, Gujarat |
|            | Shed Nos. 42/47, Sector - II, Kandla Free Trade Zone, Kandla, Gandhidham - 370 230, Gujarat                                |
| NASIK      | Kwality Walls Ice Cream Division, Plot No. A 8/9, MIDC, Malegaon, Sinnar - 422 103, Maharashtra                            |
| PUNE       | Tea Export Unit, Nutan Warehousing Complex, Pune Saswad Road, Fursungi, Pune - 412 308, Maharashtra                        |
| SILVASSA   | Detergents Factory, Survey No.151/1/1, Village Dapada, Khanvel Road, Silvassa - 396 230                                    |
|            | Personal Products Factory, Plot No. 84/2, Demni Village, UT of Dadra and Nagar Haveli, Silvassa                            |
|            | Personal Products, Survey No.907, Kilwali Road, Amlu Village, Near Gandhidham Bus Stop, Silvassa - 396 230                 |
|            | Beverages Factory, Orient Press Complex, Survey No. 297/1/2, Dungalpada, Village Saily, Silvassa - 396 230                 |
|            | Survey No. 46/11, Plot No 16, Naroli Road, Village Athal, Silvassa - 396 230   |

## 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, 2006

*Figures in brackets represent deductions*

|  | Notes | 2006<br>Rs. lakhs    | 2005<br>Rs. lakhs |
|--|-------|----------------------|-------------------|
| <b>INCOME</b>  |       |                      |                   |
| Sales  | 1     | <b>12103,38.62</b>   | 11060,54.62       |
| Other income   | 2     | <b>354,51.49</b>     | 304,78.65         |
| Total  |       | <b>12457,90.11</b>   | 11365,33.27       |
| <b>EXPENDITURE</b>   |       |                      |                   |
| Operating expenses   | 3 - 5 | <b>(10455,32.32)</b> | (9617,21.50)      |
| Depreciation   |       | <b>(130,16.35)</b>   | (124,45.32)       |
| Interest   | 6     | <b>(10,73.35)</b>    | (19,19.31)        |
| Total  |       | <b>(10596,22.02)</b> | (9760,86.13)      |
| <b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>  |       | <b>1861,68.09</b>    | 1604,47.14        |
| Taxation for the year – current tax  | 9     | <b>(260,00.00)</b>   | (223,00.00)       |
| – deferred tax   |       | <b>(26,80.00)</b>    | (41,00.00)        |
| – fringe benefit tax   |       | <b>(35,00.00)</b>    | (30,00.00)        |
| Taxation adjustments of previous years (net)   | 18    | <b>(21.00)</b>       | 44,03.67          |
| <b>PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b>  |       | <b>1539,67.09</b>    | 1354,50.81        |
| Exceptional items (net of tax)   | 13    | <b>315,70.25</b>     | 53,59.63          |
| <b>NET PROFIT</b>  |       | <b>1855,37.34</b>    | 1408,10.44        |
| Balance brought forward  |       | <b>650,65.71</b>     | 644,79.91         |
| <b>Available for distribution</b>  |       | <b>2506,03.05</b>    | 2052,90.35        |
| <b>Dividends:</b>  |       |                      |                   |
| On equity shares :   |       |                      |                   |
| Interim - Rs. 3.00 per share - declared on 30th July, 2006   |       | <b>(661,72.23)</b>   | (550,31.09)       |
| Interim and Final dividend of 2005 paid to the shareholders of the erstwhile Vashisti Detergents Limited (Refer note 14)   |       | <b>(1,72.31)</b>     | —                 |
| Final - Rs. 3.00 per share - declared on 20th February, 2007   |       | <b>(662,03.28)</b>   | (550,31.09)       |
| Tax on distributed profits (includes tax paid on distribution of Interim and Final dividend to the shareholders of the erstwhile Vashisti Detergents Limited. Refer note 14) |       | <b>(185,89.84)</b>   | (159,62.46)       |
| Transfer to General Reserve  |       | <b>(191,00.00)</b>   | (142,00.00)       |
| <b>Balance carried forward</b>   |       | <b>803,65.39</b>     | 650,65.71         |
| <b>Earnings Per Share (Rs.) - Basic &amp; Diluted (Face value of Re.1 each)</b>  |       | <b>8.41</b>          | 6.40              |

*For notes, statements, additional information, segment information, related party disclosures and accounting policies See pages: 55 to 57, 73 to 76 and 78 to 85*

*Signatures to pages : 52, 55 to 57, 73 to 76 and 78 to 85*

*In terms of our report of even date*

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

Douglas Baillie  
D. Sundaram  
Raju Thomas  
Ashok Gupta

*Managing Director and CEO  
Finance Director  
Vice President - Finance  
Company Secretary*

Mumbai : 20th February, 2007

Mumbai : 20th February, 2007

## Balance Sheet as at 31st December, 2006

Figures in brackets represent deductions

|   | Schedule | 2006<br>Rs. lakhs   | 2005<br>Rs. lakhs |
|---|----------|---------------------|-------------------|
| <b>SOURCES OF FUNDS</b>                   |          |                     |                   |
| <b>Shareholders' funds</b>                |          |                     |                   |
| Capital                                   | 1        | 220,67.76           | 220,12.44         |
| Reserves and surplus                      | 2        | 2502,80.51          | 2085,50.16        |
|   |          | <b>2723,48.27</b>   | 2305,62.60        |
| <b>Loan funds</b>                         |          |                     |                   |
| Secured loans                             | 3        | 37,12.90            | 24,49.96          |
| Unsecured loans                           | 4        | 35,47.40            | 32,44.11          |
|   |          | <b>72,60.30</b>     | 56,94.07          |
|   |          | <b>2796,08.57</b>   | 2362,56.67        |
| <b>APPLICATION OF FUNDS</b>               |          |                     |                   |
| <b>Fixed assets</b>                       |          |                     |                   |
| Gross block                               |          | 2462,68.85          | 2375,11.02        |
| Depreciation and impairment loss          |          | (1061,93.99)        | (989,61.28)       |
| Net block                                 | 5        | 1400,74.86          | 1385,49.74        |
| Capital work-in-progress                  |          | 110,26.03           | 98,03.29          |
|   |          | <b>1511,00.89</b>   | 1483,53.03        |
| <b>Investments</b>                        | 6        | <b>2413,93.15</b>   | 2014,19.84        |
| <b>Deferred Tax</b>                       |          |                     |                   |
| Deferred Tax Assets                       | 14       | 385,42.59           | 338,68.17         |
| Deferred Tax Liabilities                  | 15       | (160,87.89)         | (118,53.71)       |
|   |          | <b>224,54.70</b>    | 220,14.46         |
| <b>Current assets, loans and advances</b> |          |                     |                   |
| Inventories                               | 7        | 1547,71.10          | 1321,76.91        |
| Sundry debtors                            | 8        | 440,37.10           | 522,82.85         |
| Cash and bank balances                    | 9        | 416,94.30           | 355,03.19         |
| Other current assets                      | 10       | 21,73.23            | 23,89.08          |
| Loans and advances                        | 11       | 742,89.78           | 549,49.65         |
|   |          | <b>3169,65.51</b>   | 2773,01.68        |
| <b>Current liabilities and provisions</b> |          |                     |                   |
| Liabilities                               | 12       | (3201,64.12)        | (2969,45.48)      |
| Provisions                                | 13       | (1321,41.56)        | (1158,86.86)      |
|   |          | <b>(4523,05.68)</b> | (4128,32.34)      |
| <b>Net current assets</b>                 |          | <b>(1353,40.17)</b> | (1355,30.66)      |
|   |          | <b>2796,08.57</b>   | 2362,56.67        |

For schedules, contingent liabilities, additional information,  
segment information, related party disclosures  
and accounting policies  
See pages : 58 to 72 and 78 to 85.  
In terms of our report of even date

Signatures to pages : 53, 58 to 72  
and 78 to 85.

Sharmila A. Karve  
Partner  
Membership No. 43229  
For and on behalf of  
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Managing Director and CEO  
Finance Director  
Vice President - Finance  
Company Secretary

Mumbai : 20th February, 2007

Mumbai : 20th February, 2007

## Cash Flow Statement for the year ended 31st December, 2006

|   | 2006<br>Rs. lakhs   | 2005<br>Rs. lakhs |
|---|---------------------|-------------------|
| <b>A. Cash Flow from Operating Activities :</b>   |                     |                   |
| Profit before taxation and exceptional items  | <b>1861,68.09</b>   | 1604,47.14        |
| <i>Adjustments for :</i>  |                     |                   |
| Depreciation  | <b>130,16.35</b>    | 124,45.32         |
| Surplus on disposal of investments (net)  | <b>(15,98.93)</b>   | (27,79.27)        |
| Provision / (reversal of provision) for diminution in value of Investments, net of cost over fair value of current investments (net)                              | <b>(174.79)</b>     | (1,10.94)         |
| Deficit / (Surplus) on disposal of fixed assets (net)   | <b>(17,36.16)</b>   | (4,65.73)         |
| Discounting charge for Employee Stock Option  | <b>3,03.78</b>      | 38.37             |
| Interest income   | <b>(65,63.57)</b>   | (53,03.85)        |
| Reversal of provision for losses on disposal of fixed assets  | <b>—</b>            | (1,92.80)         |
| Dividend income   | <b>(81,43.40)</b>   | (71,46.33)        |
| Interest expenditure  | <b>10,73.35</b>     | 19,19.31          |
|   | <b>(38,23.37)</b>   | (15,95.92)        |
| Operating Profit before Working Capital Changes   | <b>1823,44.72</b>   | 1588,51.22        |
| <i>Adjustments for :</i>  |                     |                   |
| Trade and Other Receivables   | <b>(164,41.30)</b>  | 23,80.75          |
| Inventories   | <b>(224,30.12)</b>  | 147,62.64         |
| Trade Payables and Other Liabilities  | <b>375,62.23</b>    | 339,01.39         |
|   | <b>(13,09.19)</b>   | 510,44.78         |
| Cash generated from operations  | <b>1810,35.53</b>   | 2098,96.00        |
| Taxes paid (including fringe benefit tax) (net of refunds)  | <b>(437,30.77)</b>  | (117,21.40)       |
| Cash flow before exceptional items  | <b>1373,04.76</b>   | 1981,74.60        |
| Compensation under voluntary separation schemes.  | <b>(19,47.51)</b>   | (9,29.72)         |
| Amount received from LIC on commutation of receivables under annuity schemes  | <b>20,25.91</b>     | —                 |
| Amount paid for termination of sourcing agreement   | <b>—</b>            | (5,00.00)         |
| Consideration received on sale of Nihar and Cococare brands.  | <b>229,02.37</b>    | —                 |
| Sales tax paid on brand sale.   | <b>(8,03.36)</b>    | —                 |
| <b>Net Cash from Operating Activities. A</b>  | <b>1594,82.17</b>   | 1967,44.88        |
| <b>B. Cash Flow from Investing Activities :</b>   |                     |                   |
| Purchase of fixed assets  | <b>(154,19.78)</b>  | (177,46.55)       |
| Sale of fixed assets  | <b>47,34.27</b>     | 26,06.39          |
| Capital subsidy received  | <b>1,39.56</b>      | 5.00              |
| Purchase of investments   | <b>(9731,83.40)</b> | (7523,74.00)      |
| Sale of investments   | <b>9137,37.59</b>   | 7901,25.49        |
| Interest received   | <b>67,90.38</b>     | 71,38.39          |
| Dividend received   | <b>81,43.40</b>     | 76,06.68          |
| Cash flow before exceptional items  | <b>(550,57.98)</b>  | 373,61.40         |
| Consideration received on disposal of subsidiary companies  | <b>106,24.65</b>    | 6.18              |
| Consideration received on disposal of long-term investments.  | <b>194,29.31</b>    | 50,68.51          |
| Consideration received on disposal of 51% share in a subsidiary company   | <b>52,09.51</b>     | —                 |
| Consideration received on sale of Functionalised Bio-polymers business  | <b>—</b>            | 4,15.00           |
| Consideration received on transfer of Sewri Undertaking to Bon Limited  | <b>—</b>            | 8,33.78           |
| <b>Net Cash used in Investing Activities B</b>  | <b>(197,94.51)</b>  | 436,84.87         |
| <b>C. Cash Flow from Financing Activities :</b>   |                     |                   |
| Dividends paid  | <b>(1210,70.12)</b> | (1099,99.08)      |
| Tax on distributed profits  | <b>(170,22.94)</b>  | (154,36.22)       |
| Interest paid   | <b>(13,38.23)</b>   | (78,30.08)        |
| Bank overdrafts, etc (net)  | <b>18,24.26</b>     | (4,35.88)         |
| Proceeds from borrowings  | <b>281,38.53</b>    | 563,86.66         |
| Repayment of debentures   | <b>—</b>            | (1320,74.63)      |
| Proceeds from share allotment under Employee Stock option scheme  | <b>33,92.25</b>     | —                 |
| Repayments of borrowings  | <b>(283,96.56)</b>  | (654,36.26)       |
| <b>Net Cash used in Financing Activities C</b>  | <b>(1344,72.81)</b> | (2748,25.49)      |
| <b>Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)</b>   | <b>52,14.85</b>     | (343,95.74)       |
| <b>Cash and Cash equivalents as at 1st January (Opening Balance)</b>  | <b>355,03.19</b>    | 698,04.86         |
| <b>Cash and Cash equivalents as at 1st January, 2005 of International Fisheries Limited, Merryweather Foods Products Limited and Lipton India Exports Limited</b> | <b>—</b>            | 28.73             |
| <b>Cash and Cash equivalents as at 1st April, 2005 of Lever India Exports Limited and TOC Disinfectants Limited</b>   | <b>—</b>            | 65.34             |
| <b>Cash and Cash equivalents as at 1st January, 2006 of Vashisti Detergents Limited</b>   | <b>976.26</b>       | —                 |
| <b>Cash and Cash equivalents as at 31st December (Closing Balance)</b>  | <b>416,94.30</b>    | 355,03.19         |

For notes

See page : 77

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 : 20th February, 2007

Signatures to pages : 54 and 77

Douglas Baillie

D. Sundaram

Raju Thomas

Ashok Gupta

Managing Director and CEO

Finance Director

Vice President - Finance

Company Secretary

Mumbai : 20th February, 2007

## Notes to Profit and Loss Account

|   | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |
|---|--------------------|-------------------|
| <b>INCOME</b>   |                    |                   |
| <b>1 Sales</b>  | <b>13035,06.32</b> | 11975,52.67       |
| Less : Excise duty  | <b>(931,67.70)</b> | (914,98.05)       |
|   | <b>12103,38.62</b> | 11060,54.62       |
| Sales include duty drawback and licence premium on exports  | <b>14,21.57</b>    | 12,98.69          |
| <b>2 Other income</b>   |                    |                   |
| Income from services rendered   | <b>154,63.57</b>   | 131,39.86         |
| Income from property development activity   | —                  | 1,93.91           |
| Interest income - bank and other accounts (gross)<br>(Tax deducted at source Rs. 972.88 lakhs; 2005 - Rs.823.84 lakhs)  | <b>43,70.43</b>    | 25,52.28          |
| Interest income - non trade (gross) (Note 7)<br>(Tax deducted at source Rs. 20.25 lakhs; 2005 - Rs. 86.61 lakhs)        | <b>17,77.25</b>    | 19,92.06          |
| Interest income - Subsidiary - long term (gross)<br>(Tax deducted at source Rs. 208.12 lakhs; 2005 - Rs. 19.64 lakhs)   | <b>4,15.89</b>     | 7,59.51           |
| Dividend income - trade - long term (gross)   | <b>13,32.67</b>    | 10,45.80          |
| Dividend income - non trade - current (gross)   | <b>56,59.86</b>    | 33,59.13          |
| Dividend income - Subsidiaries - long term (gross)<br>(Tax deducted at source Rs. 57.54 lakhs; 2005 - Rs. 115.08 lakhs) | <b>11,50.87</b>    | 27,41.40          |
| Surplus on disposal of investments (net) (Note 8)   | <b>15,98.93</b>    | 27,79.27          |
| Surplus on fixed assets sold etc. (net)   | <b>17,36.16</b>    | 4,65.73           |
| Miscellaneous income  | <b>19,45.86</b>    | 14,49.70          |
|   | <b>354,51.49</b>   | 304,78.65         |
| <b>OPERATING EXPENSES</b>   |                    |                   |
| <b>3. Materials consumed and Purchase of goods</b>  |                    |                   |
| Raw materials consumed  | <b>3813,71.21</b>  | 3554,76.32        |
| Packing materials consumed  | <b>1053,52.70</b>  | 945,33.97         |
| Purchase of goods   | <b>1751,51.11</b>  | 1613,90.77        |
| <b>4. General expenditure</b>   |                    |                   |
| Salaries, wages, bonus, etc.  | <b>555,53.54</b>   | 517,53.90         |
| Contribution to provident and other funds   | <b>40,28.55</b>    | 35,83.14          |
| Workmen and staff welfare expenses  | <b>46,98.71</b>    | 37,94.55          |
| Processing charges  | <b>125,11.50</b>   | 141,15.11         |
| Consumption of stores and spare parts   | <b>68,55.41</b>    | 56,96.75          |
| Repairs and maintenance – Buildings   | <b>12,94.18</b>    | 11,14.56          |
| – Plant   | <b>62,25.53</b>    | 50,66.95          |
| – Others  | <b>6,64.48</b>     | 6,25.56           |
| Power, light, fuel and water  | <b>180,79.37</b>   | 168,74.42         |
| Rent  | <b>117,30.39</b>   | 91,85.31          |
| Rates and taxes   | <b>94,72.40</b>    | 148,04.49         |
| Insurance   | <b>8,18.37</b>     | 7,64.14           |
| Advertising and sales promotion   | <b>1272,87.75</b>  | 1005,67.35        |
| Carriage and freight  | <b>651,47.15</b>   | 573,79.69         |
| Agents' commission and brokerage  | <b>5,01.09</b>     | 5,82.26           |
| Provision / (write back) for doubtful debts and advances (net)  | <b>(16,17.11)</b>  | (7,37.82)         |
| Travelling and motor car expenses   | <b>137,59.93</b>   | 122,15.66         |
| Miscellaneous expenses (Note 12)  | <b>584,02.81</b>   | 489,14.63         |
| Expenses shared by certain current and erstwhile subsidiary companies for use of common facilities                      | <b>(1,59.85)</b>   | (7,92.38)         |
| <b>5. Stocks</b>  |                    |                   |
| Opening stocks :  |                    |                   |
| – Work-in-progress  | <b>2,6,29.71</b>   | 45,62.72          |
| – Processed chemicals   | <b>91.82</b>       | 1,09.07           |
| – Finished goods  | <b>534,10.04</b>   | 590,39.76         |
| Adjustment to stocks :  |                    |                   |
| – As at 1st January, 2005 of Merryweather Foods Products Limited  | —                  | 11.60             |
| – As at 1st April, 2005 Lever India Exports Limited   | —                  | 2,66.21           |
| – As at 1st April, 2005 TOC Disinfectants Limited   | —                  | 2,28.95           |
| Closing stocks :  |                    |                   |
| – Work-in-progress  | <b>(31,01.07)</b>  | (26,29.71)        |
| – Processed chemicals   | <b>(84.62)</b>     | (91.82)           |
| – Finished goods  | <b>(659,43.34)</b> | (534,10.04)       |
| Excise Duty on Increase/(Decrease) of Finished goods  | <b>14,00.56</b>    | (32,74.57)        |
|   | <b>10455,32.32</b> | 9617,21.50        |

## Notes to Profit and Loss Account

6. Interest paid on bank and other accounts Rs. 1,073.35 lakhs (2005 - Rs. 1,886.31 lakhs) and on debentures Rs. Nil (2005 - Rs. 33.00 lakhs).
7. Interest income - non trade (gross) comprises of Rs. 1,448.00 lakhs (2005 - Rs. 1,535.26 lakhs) and Rs. 329.25 lakhs (2005 - Rs. 456.80 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. 1,514.75 lakhs (2005 - Rs. 2,710.44 lakhs)
  - a surplus on disposal of long term investments (net) Rs. 84.18 lakhs (2005 - Rs. 68.83 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, 2006 and the provision based on the figures for the remaining nine months up to 31st December, 2006, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2006 to 31st March, 2007.
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) credited to the Profit and Loss Account is Rs. 232.51 lakhs (2005 - charge of Rs. 388.03 lakhs).

|  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |
|--|--------------------|-------------------|
| <b>11. Operating expenses include</b>  |                    |                   |
| <b>A) Auditors' remuneration and expenses</b>  |                    |                   |
| i) Audit fees  | 2,13.26            | 2,09.38           |
| ii) Tax audit fees   | 1,06.63            | 1,04.69           |
| iii) Fees for other services   | 34.70              | 22.28             |
| iv) Reimbursement of out-of-pocket expenses  | 15.51              | 22.55             |
| <b>B) Payments to Cost auditors</b>  |                    |                   |
| i) Cost audit fees   | 7.52               | 7.10              |
| ii) Reimbursement of out-of-pocket expenses  | 0.35               | 0.14              |
| <b>C) Research and Development expenses</b>  | 35,74.48           | 49,35.12          |
| <b>12. Miscellaneous expenses</b>  |                    |                   |
| i) is net of credit on reversal / write back of provision for estimated losses on disposal of fixed assets rendered surplus Rs. Nil [2005 - Rs. 192.80 lakhs (net)]. |                    |                   |
| ii) is net of credit for reversal / write back of provision on diminution in value of long-term investments Rs. Nil [2005 - Rs. 117.00 lakhs (net)]                  |                    |                   |
| iii) include charge in respect of excess of cost over fair value of current investments (net) Rs. 66.21 lakhs [2005 - Rs. 6.06 lakhs (net)]                          |                    |                   |
|  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |
| <b>13. Exceptional Items</b>   |                    |                   |
| i) Profit on disposal of Nihar and Coco Care brands.   | 206,50.00          | —                 |
| ii) Profit arising on disposal of long term investments  | 123,22.48          | 43,68.86          |
| iii) Reversal of provision for employee related costs at Sewri / Bombay factory consequent to its closure  | 100,67.91          | —                 |
| iv) Profit on disposal of 51% share in a subsidiary company  | 48,77.25           | —                 |
| v) Reduction in liability for retirement benefits arising from impact of revised interest rates and lower annuity costs  | 3,2,99.34          | —                 |
| vi) Profit arising on demerger of Plantation Business (net of provision for diminution in value of the related investments Rs 1,240 lakhs)                           | —                  | 80,96.95          |
| <b>Total exceptional income</b>  | <b>512,16.98</b>   | 124,65.81         |
| vii) Provision for retirement benefits arising out of one time change in assumptions   | (64,92.00)         | —                 |
| viii) Provision against advance given to a fully owned subsidiary  | (36,50.00)         | —                 |
| ix) Discounting charge arising from commutation of receivables from LIC under annuity schemes  | (19,15.93)         | —                 |
| x) Residual costs on disposal of plantation subsidiaries   | (8,69.30)          | —                 |
| xi) Provision for diminution in value of investments in subsidiaries   | (6,49.11)          | (16,00.00)        |
| xii) Restructuring costs across businesses comprising:   |                    |                   |
| a) Compensation under voluntary separation schemes   | (49,59.12)         | (28,51.36)        |
| b) Amount paid/payable for termination of sourcing arrangement   | —                  | (15,00.00)        |
| c) Relocation of the foods division to Mumbai  | (98.56)            | —                 |
| xiii) Provision for diminution in value of a long term investment  | —                  | (16,42.41)        |
| xiv) Provision for impairment of sea food export business assets   | —                  | (38,43.96)        |
| xv) Provision for loss arising out of disposal of a subsidiary company   | —                  | (14,21.58)        |
| <b>Total exceptional expenditure</b>   | <b>(186,34.02)</b> | (128,59.31)       |
| <b>Net</b>   | <b>325,82.96</b>   | (3,93.50)         |
| Taxation on the above - Credit / (Charge) on current tax   | (36,73.15)         | 2,28.47           |
| - Credit on deferred tax   | 26,60.44           | 32,04.66          |
| xvi) One time reduction in tax liability arising from amalgamation of TOC Disinfectants Limited with the Company   | —                  | 23,20.00          |
| <b>Total tax credit (net)</b>  | <b>(10,12.71)</b>  | 57,53.13          |
| <b>Exceptional items (net of tax)</b>  | <b>315,70.25</b>   | 53,59.63          |

## Notes to Profit and Loss Account

14. Pursuant to the Scheme of arrangement for amalgamation of Vashisti Detergents Limited with the Company, as approved by the shareholders in the Court-convened meeting held on 24th September 2005 and subsequently sanctioned by the Honourable High Court of Bombay on 13th January 2006, the assets and liabilities of Vashisti Detergents Limited were transferred to and vested in the Company with effect from 1st July 2005. 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 Company as at the aforementioned date have been taken over at their book values, subject to adjustments made for the differences in the accounting policies between the Companies and / or specified in the scheme. Consequently, current year's figures are not comparable to those of the previous year, to the extent mentioned herein.
15. The cost of property development activity including movements in work-in-progress are as under:
- |  | <b>2006</b>           | 2005           |
|--|-----------------------|----------------|
|  | <b>Rs. lakhs</b>      | Rs. lakhs      |
| Property Development Activity - Work-in-progress as at 1st January           | <b>48.77</b>          | 46.09          |
| Add: Opening Work-in-Progress of Lever India Exports Limited                 | —                     | 8.93           |
| Miscellaneous expenses   | —                     | 55.02          |
|  | <b>48.77</b>          | 63.94          |
| Less: Property Development Activity - Work-in-progress as at 31st December   | <b>48.77</b>          | 48.77          |
| Cost of property sold / donated, included in miscellaneous expenses          | —                     | 6.25           |
|  | <b>48.77</b>          | 55.02          |
| 16. Earnings Per Share has been computed as under:                           | <b>2006</b>           | 2005           |
| Net Profit (Rs. lakhs)   | <b>1855,37.34</b>     | 1408,10.44     |
| Weighted average number of Equity shares outstanding                         | <b>2,20,55,19,601</b> | 2,20,12,43,793 |
| Earnings Per Share (Rs.) - Basic and Diluted (Face value of Re. 1 per share) | <b>8.41</b>           | 6.40           |

## Schedules to Balance Sheet

|                              |   | 2006             | 2005      |
|------------------------------|---|------------------|-----------|
|                              |   | Rs. lakhs        | Rs. lakhs |
| <b>1. CAPITAL</b>            |   |                  |           |
| <b>Authorised</b>            |   |                  |           |
| 2,25,00,00,000               | equity shares of Re. 1 each   | <b>225,00.00</b> | 225,00.00 |
| <b>Issued and subscribed</b> |   |                  |           |
| 2,20,67,76,097               | (2005: 2,20,12,43,793) equity shares of Re. 1 each fully called and paid up   | <b>220,67.76</b> | 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) 795,379,675             | (2005: 791,931,203) Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash.                          |                  |           |
| (iii) 1,316,854,620          | Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.                          |                  |           |
|                              |   | <b>220,67.76</b> | 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, 2006 are 9,502,955 (2005 - 11,932,145). Of these 1,740,700 (2005 - 2,174,400) options have vested in 2004, 2,276,965 (2005 - 2,862,905) have vested in 2005, 2,630,540 (2005 - 3,851,990) have vested in 2006, 1,426,950 will vest in 2007 (2005 - 1,508,350) and 1,427,800 in 2008 (2005 - 1,534,500).

**2. RESERVES AND SURPLUS**

Rs. lakhs

|   | As at<br>31st December,<br>2005 | Adjustments<br>on Amalgamation<br>(Note 14) | Additions         | Deductions         | As at<br>31st December,<br>2006 |
|---|---------------------------------|---|-------------------|--------------------|---------------------------------|
| <b>CAPITAL RESERVES</b>                     |                                 |   |                   |                    |                                 |
| Capital Reserve                             | 4,22.23                         | —   | —                 | —                  | 4,22.23                         |
| Capital Subsidy                             | 3,34.43                         | 30.00                                       | 1,39.56           | —                  | 5,03.99                         |
| Capital Redemption Reserve                  | 1,15.00                         | —   | —                 | —                  | 1,15.00                         |
| Share Premium Account                       | 263,26.13                       | —   | 35,25.72          | —                  | 298,51.85                       |
| Revaluation Reserve                         | 66.59                           | —   | —                 | —                  | 66.59                           |
| Other Reserves (c)                          | 2,51.05                         | —   | —                 | —                  | 2,51.05                         |
| Employee Stock Options (d)                  | 4,48.04                         | —   | 3,03.78           | (1,54.31)          | 5,97.51                         |
| Total Capital Reserves                      | 279,63.47                       | 30.00                                       | 39,69.06          | (1,54.31)          | 318,08.22                       |
| <b>REVENUE RESERVES</b>                     |                                 |   |                   |                    |                                 |
| Export Profit Reserve                       | 12,21.95                        | —   | —                 | —                  | 12,21.95                        |
| Development Allowance Reserve               | 26.72                           | —   | —                 | —                  | 26.72                           |
| General Reserve                             | 1142,72.31                      | 34,85.92                                    | (a) 191,00.00     | —                  | 1368,58.23                      |
| Total Revenue Reserves                      | 1155,20.98                      | 34,85.92                                    | 191,00.00         | —                  | 1381,06.90                      |
| <b>PROFIT AND LOSS ACCOUNT BALANCE</b>      | 650,65.71                       | —   | (a) 803,65.39     | (b) (650,65.71)    | 803,65.39                       |
| <b>TOTAL RESERVES – 31st December, 2006</b> | <b>2085,50.16</b>               | <b>35,15.92</b>                             | <b>1034,34.45</b> | <b>(652,20.02)</b> | <b>2502,80.51</b>               |
| TOTAL RESERVES – 31st December, 2005        | 1872,58.51                      | 64,62.48                                    | 793,09.08         | (644,79.91)        | 2085,50.16                      |

(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. In the current year salaries, wages, bonus, etc. includes charge of Rs. 303.78 lakhs (2005 - Rs. 38.37 lakhs), on account of discounting charge on Employees Stock Options.

**Employee Stock Options**

Rs. lakhs

|                                    | As at<br>31st December,<br>2005 | Additions      | Deductions       | As at<br>31st December,<br>2006 |
|------------------------------------|---------------------------------|----------------|------------------|---------------------------------|
| Employee Stock Options Outstanding | 4,48.04                         | —              | —                | 4,48.04                         |
| Add :- Charge for the year         | —                               | 3,03.78        | —                | 3,03.78                         |
| Less :- Transfer to share premium  | —                               | —              | (1,54.31)        | (1,54.31)                       |
| <b>Employee Stock Options</b>      | <b>4,48.04</b>                  | <b>3,03.78</b> | <b>(1,54.31)</b> | <b>5,97.51</b>                  |

## Schedules to Balance Sheet

|   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|---|-------------------|-------------------|
| <b>3. SECURED LOANS</b>   |                   |                   |
| Loans and Advances from Banks :   |                   |                   |
| – Bank overdrafts   | 37,12.90          | 24,49.96          |
| Secured by hypothecation of stocks, book debts, etc.  |                   |                   |
|   | <u>37,12.90</u>   | <u>24,49.96</u>   |
| <b>4. UNSECURED LOANS</b>   |                   |                   |
| Short-term loans and advances :   |                   |                   |
| From Banks  |                   |                   |
| – Overdrawn book balance on current account   | 34,30.37          | 28,69.05          |
| Other loans and advances  |                   |                   |
| Other than from banks<br>(repayable before 31st December, 2007 - Rs. Nil; 2006 - Rs. 13.37 lakhs) | 1,17.03           | 3,75.06           |
|   | <u>35,47.40</u>   | <u>32,44.11</u>   |
| <b>5. FIXED ASSETS</b>  |                   |                   |

|  | Rs. lakhs  |   |                  |                          |  |                                    |   |                  |                          |                                    |                                    |                                    |
|--|--|---|------------------|--------------------------|--|------------------------------------|---|------------------|--------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | GROSS BLOCK  |   |                  |                          |  | DEPRECIATION                       |   |                  |                          |                                    | NET BLOCK                          |                                    |
|  | Cost/<br>Valuation as at<br>31st December,<br>2005 | Cost taken over<br>consequent to<br>amalgamation<br>(d) | Additions        | Deductions/<br>Transfers | Cost/<br>Valuation as at<br>31st December,<br>2006 | As at<br>31st<br>December,<br>2005 | Depreciation taken<br>over consequent<br>to amalgamation<br>(d) | Additions        | Deductions/<br>Transfers | Impairment<br>loss for the<br>year | As at<br>31st<br>December,<br>2006 | As at<br>31st<br>December,<br>2005 |
| Land – Freehold                            | 55,55.36   | 1.27  | 53.83            | (1,69.58)                | 54,40.88   | —                                  | —   | —                | —                        | —                                  | 54,40.88                           | 55,55.36                           |
| – Lease hold                               | 34,78.95   | 22.06   | —                | (0.19)                   | 35,00.82   | 2,39.40                            | 3.18  | 21.22            | (0.16)                   | —                                  | 2,63.64                            | 32,37.18                           |
| Buildings (a)                              | 576,83.85  | 14,98.12  | 11,74.80         | (15,18.40)               | 588,38.37  | 110,24.84                          | 5,09.80   | 15,15.72         | (6,66.34)                | —                                  | 123,84.02                          | 464,54.35                          |
| Plant & machinery                          | 1302,92.02   | 54,12.36  | 104,62.39        | (30,56.65)               | 1431,10.12   | 550,51.58                          | 29,09.54  | 98,20.63         | (20,69.74)               | —                                  | 657,12.01                          | 773,98.11                          |
| Railway sidings                            | 0.59   | —   | —                | —                        | 0.59   | 0.59                               | —   | —                | —                        | —                                  | 0.59                               | —                                  |
| Furniture, fittings<br>& office equipments | 192,37.26  | 1,80.25   | 10,03.24         | (40,22.95)               | 163,97.80  | 132,82.89                          | 1,11.43   | 10,87.03         | (36,98.17)               | —                                  | 107,83.18                          | 56,14.62                           |
| Trade Marks                                | 165,49.11  | —   | —                | (20,64.08)               | 144,85.03  | 165,49.11                          | —   | —                | (20,64.08)               | —                                  | 144,85.03                          | —                                  |
| Goodwill                                   | 11,82.29   | —   | —                | —                        | 11,82.29   | 11,82.29                           | —   | —                | —                        | —                                  | 11,82.29                           | —                                  |
| Software                                   | 7,76.68  | —   | 10,55.47         | —                        | 18,32.15   | 1,55.33                            | —   | 2,47.51          | —                        | —                                  | 4,02.84                            | 14,29.31                           |
| Motor vehicles                             | 27,54.91   | 6.20  | 1,07.06          | (13,87.37)               | 14,80.80   | 14,75.25                           | 6.20  | 3,24.24          | (8,25.30)                | —                                  | 9,80.39                            | 5,00.41                            |
| <b>Total – 2006</b>                        | <b>2375,11.02</b>                                  | <b>71,20.26</b>   | <b>138,56.79</b> | <b>(122,19.22)</b>       | <b>2462,68.85</b>                                  | <b>989,61.28</b>                   | <b>35,40.15</b>   | <b>130,16.35</b> | <b>(93,23.79)</b>        | <b>—</b>                           | <b>1061,93.99</b>                  | <b>1400,74.86</b>                  |
| – 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                         |

- NOTES :** (a) Buildings include Rs.2.39 lakhs (2005 - Rs.2.52 lakhs ) being the value of shares in co-operative housing societies.  
(b) The title deeds of immovable properties aggregating Rs.43,36.32 lakhs (2005 - 43,36.32 lakhs), acquired on transfer of business/undertakings are in the process of being transferred in the name of the Company.  
(c) Capital expenditure commitments - Rs.38,75.29 lakhs (2005 - 30,30.89 lakhs)  
(d) Taken over, pursuant to the Scheme of arrangement for amalgamation of Vashisti Detergents Limited effective 1st July, 2005 and includes additions / deductions for the period 1st July, 2005 to 31st December, 2005.  
(e) 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.

|  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--|-------------------|-------------------|
| <b>6. INVESTMENTS</b>                          |                   |                   |
| (Long-term, Unquoted, unless otherwise stated) |                   |                   |

|   |           |  |                  |
|---|-----------|--|------------------|
| <b>A. INVESTMENTS IN GOVERNMENT SECURITIES</b>  |           |  |                  |
| 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<br>(2005 - Rs. 2,00.00 lakhs) (Current Investments) (quoted)   |           | 2,12.14                                  | 2,25.59          |
| Treasury Bills of the face value of Rs. Nil -<br>(2005 - Rs. 134,00.00 lakhs) (Rs.5,00.00 lakhs purchased during the year<br>and Rs.139,00.00 lakhs sold during the year) (Current Investments) |           | —  | 128,59.77        |
| <b>TOTAL - A</b>  |           | <u>2,13.19</u>                           | <u>130,86.41</u> |
| <b>B. INVESTMENTS IN SUBSIDIARY COMPANIES AT COST<br/>SHARES AND DEBENTURES</b>   |           |  |                  |
| Unilever India Exports Limited  | 25,10,000 | Equity shares of Rs.10 each fully paid   | 2,51.00          |
| Lever's Associated Trust Limited  | 50,000    | Ordinary shares of Rs.10 each fully paid | 5.00             |
| Levindra Trust Limited  | 50,000    | Ordinary shares of Rs.10 each fully paid | 5.00             |

## Schedules to Balance Sheet

|  |   |   | 2006             | 2005             |
|--|---|---|------------------|------------------|
|  |   |   | Rs. lakhs        | Rs. lakhs        |
| <b>6.</b>  | <b>INVESTMENTS (Contd...)</b>                                       |   |                  |                  |
|  | (Long-term, Unquoted, unless otherwise stated)                      |   |                  |                  |
| Hindlever Trust Limited  | 50,000  | Ordinary shares of Rs.10 each fully paid  | 5.00             | 5.00             |
| Unilever Nepal Limited   | 7,36,560  | Equity shares of Nepalese Rs.100 each fully paid  | 4,60.00          | 4,60.00          |
| Bon Limited  | 1,00,00,000   | Equity shares of Rs.10 each fully paid  | 10,00.00         | 10,00.00         |
| Doom Dooma Tea Company Limited   | —   | (2005-5,00,000) Ordinary shares of Rs.100 each fully paid (Disposed off during the year)  | —                | 5,00.00          |
|  | —   | (2005-10,00,000) Redeemable Preference shares of Rs.100/-each (Disposed off during the year)  | —                | 10,00.00         |
|  | —   | (2005-58,12,000) 6% p.a. Secured debentures of Rs100/- each (Disposed off during the year)  | —                | 58,12.00         |
| Tea Estates India Limited  | —   | (2005-50,00,000) Ordinary shares of Rs.10 each fully paid (Disposed off during the year)  | —                | 5,00.00          |
|  | —   | (2005-10,00,000) 0.5% p.a.Redemable Preference shares of Rs.100/-each(Disposed off during the year)   | —                | 10,00.00         |
|  | —   | (2005-55,05,000) 6% p.a. Secured debentures of Rs100/- each (Disposed off during the year)  | —                | 55,05.00         |
| Unilever India Shared Services Limited   | —   | (2005-5,000) Ordinary shares of Rs.100 each fully paid (Reclassified to Trade Investments subsequent to reduction in stake in the company during the year)  | —                | 4.41             |
| Pond's Exports Limited   | 98,00,147   | Equity shares of Rs.10 each fully paid  | 9,80.01          | 9,80.01          |
| Daverashola Estates Private Limited (formerly Hindustan Kwality Walls Foods Private Limited) | 50,000  | Equity shares of Rs.10 each fully paid  | 5.00             | 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         |
|  |   |   | <b>TOTAL - B</b> |                  |
|  |   |   | <b>209,52.47</b> | <b>352,73.88</b> |
| <b>C.</b>  | <b>TRADE INVESTMENTS AT COST SHARES</b>                             |   |                  |                  |
| Tata Chemicals Limited   | 55,32,000   | (2005-1,19,32,000 Equity shares of Rs.10 each fully paid (quoted) (64,00,000 shares sold during the year)   | 16,82.80         | 36,29.63         |
| Unilever India Shared Services Limited   | 2,450   | (2005-5,000) Ordinary shares of Rs.100 each fully paid (2,550 shares sold during the year) (Reclassified from Investment in subsidiary companies subsequent to reduction in stake in the Company during the year) | 2.16             | —                |
| 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 913,000 7% Cumulative Redeemable Preference Shares of Rs.100 each fully paid  | 2,65.56          | 2,65.56          |
|  |   |   | 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  | —   | (2005-1,69,04,140) Equity shares of Rs.10 each fully paid (quoted) (Refer note 14)  | —                | 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   | —   | (2005-38,32,000) Equity shares of Rs.10 each fully paid (Sold during the year)Coffee Futures India Exchange Limited   | —                | 5,01.71          |
|  | 1   | Equity share of Rs.10,000 each fully paid   | 0.10             | 0.10             |
| Quest International India Limited  | —   | (2005-14,11,200) Equity shares of Rs.100 fully paid (Sold during the year)  | —                | 68,02.41         |
| Goldfield Fragrances Private Limited   | 7,164   | Equity shares of Rs.100 each fully paid   | 2.40             | 2.40             |
|  |   |   | <b>TOTAL - C</b> |                  |
|  |   |   | <b>64,97.04</b>  | <b>186,85.83</b> |
| <b>D.</b>  | <b>NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES &amp; BONDS</b> |   |                  |                  |
| 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   | 1   | 5% Non-redeemable Registered Debenture stock (Face value Rs.0.27 lakh)  | 0.27             | 0.27             |
| Medical Research Centre Limited  | 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   | 2,005   | Equity shares of Rs.10 each fully paid  | 0.20             | 0.20             |
| National Bank for Agriculture and Rural Development  | —   | (2005-15,500) 5.25% Capital Gains Bonds of Rs.10,000 each (Redeemed during the year)  | —                | 15,50.00         |
|  | 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   | 87.00            | 87.00            |

## Schedules to Balance Sheet

|                                   |              |  | 2006             | 2005      |
|-----------------------------------|--------------|--|------------------|-----------|
|                                   |              |  | Rs. lakhs        | Rs. lakhs |
| <b>6. INVESTMENTS (Contd...)</b>  |              |  |                  |           |
|                                   |              | (Long-term, Unquoted, unless otherwise stated)   |                  |           |
|                                   | 72,000       | 5.40% Capital Gains Bonds of Rs.10,000 each  | <b>72,00.00</b>  | 72,00.00  |
|                                   | 13,500       | 5.20% Capital Gains Bonds of Rs.10,000 each  | <b>13,50.00</b>  | 13,50.00  |
|                                   | 2,000        | 5.42% Capital Gains Bonds of Rs.10,000 each  | <b>2,00.00</b>   | 2,00.00   |
|                                   | 17,484       | 5.25% Capital Gains Bonds of Rs.10,000 each  | <b>17,48.39</b>  | 17,48.39  |
| National Housing Bank             | —            | (2005-50,000) 5.50% Capital Gains Bonds 2002 of Rs.10,000 each (Redeemed during the year)  | <b>—</b>         | 50,00.00  |
|                                   | 3,075        | 5.10% Capital Gains Bonds 2002 of Rs.10,000 each   | <b>3,07.50</b>   | 3,07.50   |
| Rural Electrification Board       | 2,13,000     | 5.50% Capital Gains Bonds of Rs.10,000 each (Purchased during the year)  | <b>213,00.00</b> | —         |
| <b>OTHERS</b>                     |              |  |                  |           |
| Unit Trust of India               | 48,77,837    | Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments) (quoted)   | <b>48,90.03</b>  | 50,04.54  |
| Certificates of Deposits of Banks | —            | Face value of Rs. Nil (2005-Rs.160,00.00 lakhs) (Rs. 15,00.00 lakhs purchased during the year and Rs. 175,00.00 lakhs matured during the year) (Current Investments)   | <b>—</b>         | 155,81.43 |
| Prudential ICICI Mutual Fund      | 1,00,00,000  | Units Prudential ICICI Fixed Maturity Plan - S 34 - 3 Months - Plan A - Dividend (1,00,00,000 Units Purchased during the year) (Current Investments)   | <b>10,00.00</b>  | —         |
|                                   | —            | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 1 Month Plan A - Dividend (1,50,00,000 Units Purchased, 79,650 Units cumulated, 1,50,79,650 Units sold during the year) (Current Investments)           | <b>—</b>         | —         |
|                                   | 1,50,00,000  | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 1 Month Plan D - Dividend (1,50,00,000 Units Purchased during the year) (Current Investments)   | <b>15,00.00</b>  | —         |
|                                   | —            | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months - Plan A - Dividend (4,00,00,000 Units Purchased, 5,22,179 Units cumulated, 4,05,22,179 Units sold during the year) (Current Investments)      | <b>—</b>         | —         |
|                                   | —            | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months - Plan C - Dividend (4,90,00,000 Units Purchased, 7,60,970 Units cumulated, 4,97,60,970 Units sold during the year) (Current Investments)      | <b>—</b>         | —         |
|                                   | 4,00,00,000  | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months - Plan D - Dividend (4,00,00,000 Units Purchased during the year) (Current Investments)  | <b>40,00.00</b>  | —         |
|                                   | 3,00,00,000  | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months - Plan E - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)  | <b>30,00.00</b>  | —         |
|                                   | —            | Units Prudential ICICI Fixed Maturity Plan - Series 25 - Yearly Plan - April 06 - Dividend (1,99,89,206 Units Purchased, 2,57,661 Units cumulated, 2,02,46,867 Units sold during the year) (Current Investments) | <b>—</b>         | —         |
|                                   | —            | (2005-1,00,00,000 Units Prudential ICICI Fixed Maturity Plan - Series 25 - Yearly Plan December 05 - Dividend (1,67,131 Units cumulated, 1,01,67,131 Units sold during the year) (Current Investments)           | <b>—</b>         | 10,00.00  |
|                                   | —            | Units Prudential ICICI Fixed Maturity Plan - Series 24 - Yearly Plan - Dividend (5,50,00,000 Units Purchased, 4,46,794 Units cumulated, 5,54,46,794 Units sold during the year) (Current Investments)            | <b>—</b>         | —         |
|                                   | —            | Units Prudential ICICI Fixed Maturity Plan - Series 27 - Month Plan - Dividend 6,00,00,000 Units Purchased, 10,23,000 Units cumulated, 6,10,23,000 Units sold during the year) (Current Investments)             | <b>—</b>         | —         |
|                                   | —            | Units Prudential ICICI Fixed Maturity Plan - Series 28 - 4 Months Plan - Dividend (1,20,00,000 Units Purchased, 2,00,008 Units cumulated, 1,22,00,008 Units sold during the year) (Current Investments)          | <b>—</b>         | —         |
|                                   | 4,00,00,000  | Units Prudential ICICI Fixed Maturity Plan - Series 28 - Institutional Plan - Growth (4,00,00,000 Units Purchased during the year) (Current Investments)   | <b>40,00.00</b>  | —         |
|                                   | —            | Units Prudential ICICI Floating Rate Fund - Plan D - Daily Dividend (8,00,00,000 Units Purchased, 1,22,932 Units cumulated, 8,01,22,932 Units sold during the year) (Current Investments)                        | <b>—</b>         | —         |
|                                   | —            | (2005- 4,01,13,373 Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (99,94,603 Units Purchased, 5,95,285 Units cumulated, 5,07,03,261 Units sold during the year) (Current Investments)             | <b>—</b>         | 40,10.34  |
|                                   | 2,00,00,000  | Units Prudential ICICI Hybrid Fixed Maturity Plan - 13 Months - Institutional Plan - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)  | <b>20,00.00</b>  | —         |
|                                   | —            | (2005-1,46,00,399 Units Prudential ICICI Long Term Plan - Dividend (2,42,025 Units cumulated, 1,48,42,424 Units sold during the year) (Current Investments)  | <b>—</b>         | 15,25.48  |
|                                   | 1,25,11,745  | (2005-1,25,11,745 Units Prudential ICICI Liquid - Institutional Plus - Growth (Current Investments)  | <b>21,00.00</b>  | 21,00.00  |
|                                   | —            | Units Prudential ICICI Liquid - Super Institutional Plan - Daily Dividend (51,62,50,000 Units Purchased, 5,55,478 Units cumulated, 51,68,05,478 Units sold during the year) (Current Investments)                | <b>—</b>         | —         |
|                                   | 10,78,11,931 | Units Prudential ICICI Liquid - Super Institutional Plan - Growth (10,78,11,931 Units Purchased during the year) (Current Investments)   | <b>113,00.00</b> | —         |

## Schedules to Balance Sheet

|                                      |   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--------------------------------------|---|-------------------|-------------------|
| <b>6.</b>                            | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)   |                   |                   |
|                                      | — (2005- 9,37,20,115 Units Prudential ICICI Liquid - Super Institutional Plan Monthly Dividend (7,46,432 Units cumulated, 9,44,66,547 Units sold during the year) (Current Investments)   | —                 | 93,73.60          |
|                                      | 3,83,33,658 (2005-1,71,43,141 Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend (73,09,71,530 Units Purchased, 47,32,699 Units cumulated, 71,45,13,712 Units sold during the year) (Current Investments) | <b>38,34.90</b>   | 17,15.14          |
|                                      | — Units Prudential ICICI Short Term Institutional Plan - Forth Nightly Dividend (5,45,49,693 Units Purchased, 4,10,539 Units cumulated, 5,49,60,232 Units sold during the year) (Current Investments)                             | —                 | —                 |
|                                      | — (2005-78,12,927 Units Prudential ICICI Short Term Institutional Plan - Growth (78,12,927 Units sold during the year) (Current Investments)  | —                 | 10,00.12          |
|                                      | — (2005-2,30,41,603 Units Prudential ICICI Short Term Institutional Plan - Monthly Dividend (77,66,707 Units Purchased, 2,33,266 Units cumulated, 3,10,41,576 Units sold during the year) (Current Investments)                   | —                 | 25,29.44          |
|                                      | — (2005-2,66,00,000 Units Prudential ICICI Fixed Maturity Plan - S 25 - Yearly Plan - December 05 - Dividend (4,44,567 Units cumulated, 2,70,44,567 Units sold during the year) (Current Investments)                             | —                 | 26,60.00          |
|                                      | — (2005-77,28,264 Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (33,029 Units cumulated, 77,61,293 Units sold during the year) (Current Investments)  | —                 | 7,72.83           |
|                                      | — (2005-1,69,72,713 Units Prudential ICICI Liquid - Super Institutional Plan - Monthly Dividend 70,934 Units cumulated, 1,70,43,647 Units sold during the year) (Current Investments)   | —                 | 16,97.56          |
|                                      | — (2005-47,67,810 Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend - 21,826 Units cumulated, 47,89,636 Units sold during the year) (Current Investments)  | —                 | 4,76.96           |
|                                      | — Units Prudential ICICI Liquid - Institutional Plus - Growth (6,08,577 Units acquired on amalgamation (Refer Note 14) and sold during the year) (Current Investments)  | —                 | —                 |
|                                      | — Units Prudential ICICI Liquid - Institutional Plus - Monthly Dividend (98,49,549 Units acquired on amalgamation (Refer Note 14) and sold during the year) (Current Investments)   | —                 | —                 |
|                                      | — Units Prudential ICICI Liquid - Institutional Plus - Weekly Dividend (51,67,009 Units acquired on amalgamation (Refer Note 14), 9,332 Units cumulated, 51,76,341 Units sold during the year) (Current Investments)              | —                 | —                 |
| <b>DSP Merrill Lynch Mutual Fund</b> | — (2005-1,50,00,000 Units DSP Merrill Lynch Fixed Term Plan - Series 1 - Dividend (1,77,576 Units cumulated, 1,51,77,576 Units sold during the year) (Current Investments)  | —                 | 15,00.00          |
|                                      | — (2005-3,00,00,000 Units DSP Merrill Lynch Fixed Term Plan - Series 1A - Dividend (3,84,613 Units cumulated, 3,03,84,613 Units sold during the year) (Current Investments)   | —                 | 30,00.00          |
|                                      | — Units DSP Merrill Lynch Fixed Term Plan - Series 1B - Dividend (2,70,000 Units Purchased, 4,255 Units cumulated, 2,74,255 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                      | — Units DSP Merrill Lynch Fixed Term Plan - Series 1C - Dividend (3,90,000 Units Purchased, 7,198 Units cumulated, 3,97,198 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                      | — Units DSP Merrill Lynch Fixed Term Plan - Series 1D - Dividend (1,20,000 Units Purchased, 1,659 Units cumulated, 1,21,659 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                      | 3,50,000 Units DSP Merrill Lynch Fixed Term Plan - Series 1F - Dividend (3,50,000 Units Purchased during the year) (Current Investments)  | <b>35,00.00</b>   | —                 |
|                                      | 1,50,000 Units DSP Merrill Lynch Fixed Term Plan - Series 1G - Dividend (1,50,000 Units Purchased during the year) (Current Investments)  | <b>15,00.00</b>   | —                 |
|                                      | — Units DSP Merrill Lynch Fixed Term Plan - Series 2 - Dividend (2,00,00,000 Units Purchased, 5,90,749 Units cumulated, 2,05,90,749 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                      | 2,40,000 Units DSP Merrill Lynch Fixed Term Plan - Series 3A- Growth (2,40,000 Units Purchased during the year) (Current Investments)   | <b>24,00.00</b>   | —                 |
|                                      | 1,11,636 Units DSP Merrill Lynch Liquid Plus Fund - Institutional Plan - Daily Dividend (1,09,995 Units Purchased, 1,641 Units cumulated during the year) (Current Investments)   | <b>11,16.58</b>   | —                 |
|                                      | 81,923 Units DSP Merrill Lynch Liquid Plus Fund - Institutional Plan - Weekly Dividend (80,000 Units Purchased, 1,923 Units cumulated during the year) (Current Investments)  | <b>8,19.22</b>    | —                 |
|                                      | — Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Daily Dividend (13,49,731 Units Purchased, 1,299 Units cumulated, 13,51,030 Units sold during the year) (Current Investments)                                     | —                 | —                 |
|                                      | 2,38,790 Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Growth (2,38,790 Units Purchased during the year) (Current Investments)  | <b>25,00.00</b>   | —                 |
|                                      | — (2005-242,965 Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Weekly Dividend (32,57,990 Units Purchased, 43,950 Units cumulated, 35,44,905 Units sold during the year) (Current Investments)                     | —                 | 24,30.53          |

## Schedules to Balance Sheet

|                                       |   | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |   |
|---------------------------------------|---|--|-------------------|---|
| <b>6. INVESTMENTS (Contd...)</b>      |   |  |                   |   |
|                                       | (Long-term, Unquoted, unless otherwise stated)  |  |                   |   |
| <b>Standard Chartered Mutual Fund</b> | —   | —  | —                 |   |
|                                       | Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Daily Dividend (13,92,58,667 Units Purchased, 68,193 Units cumulated, 13,93,26,860 Units sold during the year) (Current Investments)  | —  | —                 |   |
|                                       | (2005-4,43,98,133 Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (1,78,898 Units cumulated, 4,45,77,031 Units sold during the year) (Current Investments)   | —  | 44,40.48          |   |
|                                       | (2005-1,08,76,476 Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Weekly Dividend (8,16,77,263 Units Purchased, 3,77,639 Units cumulated, 9,29,31,378 Units sold during the year) (Current Investments)                           | —  | 10,87.65          |   |
|                                       | (2005-2,05,12,561 Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Monthly Dividend (1,54,106 Units cumulated, 2,06,66,667 Units sold during the year) (Current Investments)                            | —  | 20,54.33          |   |
|                                       | (2005-2,00,00,000 Units Grindlays Fixed Maturity Plan - 17 - Plan A - Dividend (2,37,200 Units cumulated, 2,02,37,200 Units sold during the year) (Current Investments)   | —  | 20,00.00          |   |
|                                       | Units Grindlays Fixed Maturity Plan - 19 - Plan A - Dividend (2,00,00,000 Units Purchased, 2,75,329 Units cumulated, 2,02,75,329 Units sold during the year) (Current Investments)  | —  | —                 |   |
| 1,50,00,000                           | Units Grindlays Fixed Maturity Plan - 20 - Plan A - Growth  | <b>15,00.00</b>  | —                 |   |
| 1,50,00,000                           | Units Purchased during the year) (Current Investments)  | —  | —                 |   |
| —                                     | Units Grindlays Fixed Maturity Plan - 21 - Plan A - Dividend (3,00,00,00,04,32,197 Units cumulated, 3,04,32,197 Units sold during the year) (Current Investments)   | —  | —                 |   |
| 2,40,00,000                           | Units Grindlays Fixed Maturity Plan - 22 - Plan A - Growth  | <b>24,00.00</b>  | —                 |   |
|                                       | (2,40,00,000 Units Purchased during the year) (Current Investments)   | —  | —                 |   |
|                                       | (2005-1,50,00,000 Units Grindlays Fixed Maturity Plan - AP4 - Institutional Plan - Plan B - Growth (1,50,00,000 Units sold during the year) (Current Investments)   | —  | 15,00.00          |   |
|                                       | Units Grindlays Super Saver Income Fund - Medium Term Plan - Plan A - Bimonthly Dividend (96,76,234 Units Purchased, 38,189 Units cumulated, 97,14,423 Units sold during the year) (Current Investments)  | —  | —                 |   |
|                                       | (2005-2,62,19,239 Units Grindlays Super Saver Income Fund - Short Term - Plan C - Super Institutional Plan - Monthly Dividend (99,10,018 Units Purchased, 2,01,659 Units cumulated, 3,63,30,916 Units sold during the year) (Current Investments) | —  | 26,24.55          |   |
| 1,50,00,000                           | Units Standard Chartered Fixed Maturity Plan - 2 - Growth   | <b>15,00.00</b>  | —                 |   |
|                                       | (1,50,00,000 Units Purchased during the year) (Current Investments)   | —  | —                 |   |
|                                       | Units Standard Chartered Fixed Maturity Plan - 3 - Dividend (3,00,00,000 Units Purchased, 4,64,539 Units cumulated, 3,04,64,539 Units sold during the year) (Current Investments)   | —  | —                 |   |
|                                       | Units Standard Chartered Fixed Maturity Plan - 4 - Dividend (3,50,00,000 Units Purchased, 5,80,962 Units cumulated, 3,55,80,962 Units sold during the year) (Current Investments)   | —  | —                 |   |
|                                       | Units Standard Chartered Fixed Maturity Plan - 5 - Dividend (1,50,00,000 Units Purchased, 2,04,450 Units cumulated, 1,52,04,450 Units sold during the year) (Current Investments)   | —  | —                 |   |
|                                       | Units Standard Chartered Fixed Maturity Plan - 9 - Dividend (1,00,00,000 Units Purchased, 1,51,600 Units cumulated, 1,01,51,600 Units sold during the year) (Current Investments)   | —  | —                 |   |
| 2,00,00,000                           | Units Standard Chartered Fixed Maturity Plan - Quarterly Series 1 - Dividend (2,00,00,000 Units Purchased during the year) (Current Investments)  | <b>20,00.00</b>  | —                 |   |
| 4,00,00,000                           | Units Standard Chartered Fixed Maturity Plan - Quarterly Series 2 - Dividend (4,00,00,000 Units Purchased during the year) (Current Investments)  | <b>40,00.00</b>  | —                 |   |
| 2,80,22,495                           | Units Standard Chartered Liquidity Manager Fund - Daily Dividend (28,34,73,153 Units Purchased, 4,48,791 Units cumulated, 25,58,99,449 Units sold during the year) (Current Investments)  | <b>28,02.53</b>  | —                 |   |
|                                       | Units Standard Chartered Liquidity Manager Fund - Weekly Dividend (2,00,00,000 Units Purchased, 2,00,00,000 Units sold during the year) (Current Investments)   | —  | —                 |   |
| 38,812                                | Units Standard Chartered Liquidity Manager Fund Plus - Daily Dividend (33,89,662 Units Purchased, 4,133 Units cumulated, 33,54,983 Units sold during the year) (Current Investments)  | <b>3,88.15</b>   | —                 |   |
|                                       | (2005-41,18,522 Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (16,596 Units cumulated, 41,35,118 Units sold during the year) (Current Investments)   | —  | 4,11.92           |   |
|                                       | Units Grindlays Cash Fund - Plan A - Weekly Dividend (10,494 Units acquired on amalgamation (Refer Note 14), 17 Units cumulated, 10,511 Units sold during the year) (Current Investments)   | —  | —                 |   |
| <b>HDFC Mutual Fund</b>               | 2,59,03,005   | Units HDFC Cash Management Fund - Call Plan - Daily Dividend (25,895,306 Units Purchased, 7,699 Units cumulated during the year) (Current Investments) | <b>27,00.80</b>   | — |
|                                       | Units HDFC Cash Management Fund - Savings Plan - Daily Dividend (4,32,47,716 Units Purchased, 12,394 Units cumulated, 4,32,60,110 Units sold during the year) (Current Investments)   | —  | —                 |   |
| 4,77,32,296                           | (2005-4,99,33,636 Units HDFC Cash Management Fund - Savings Plus - Dividend (3,09,49,952 Units Purchased, 17,76,153 Units cumulated, 3,49,27,445 Units sold during the year) (Current Investments)  | <b>47,82.19</b>  | 50,02.45          |   |

## Schedules to Balance Sheet

|  |             | 2006<br>Rs. lakhs   | 2005<br>Rs. lakhs |          |
|--|-------------|---|-------------------|----------|
| <b>6. INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated) |             |   |                   |          |
|  | 2,50,00,000 | Units HDFC Fixed Maturity Plan - 13 Month - March 06 - Institutional Plan - Growth (2,50,00,000 Units Purchased during the year) (Current Investments)  | 25,00.00          | —        |
|  | 1,80,00,000 | Units HDFC Fixed Maturity Plan - 16 Month - December 06 (2) - Institutional Plan - Growth (1,80,00,000 Units Purchased during the year) (Current Investments)   | 18,00.00          | —        |
|  | —           | Units HDFC Fixed Maturity Plan - 3 Month - June 06 (I) - Institutional - Dividend (2,00,00,000 Units Purchased, 2,79,400 Units cumulated, 2,02,79,400 Units sold during the year) (Current Investments)           | —                 | —        |
|  | —           | Units HDFC Fixed Maturity Plan - 3 Month - March 06 - Institutional Plan - Dividend (3,50,00,000 Units Purchased, 6,00,250 Units cumulated, 3,56,00,250 Units sold during the year) (Current Investments)         | —                 | —        |
|  | —           | Units HDFC Fixed Maturity Plan - 3 Month - May 06 (I) - Institutional Plan - Dividend (3,00,00,000 Units Purchased, 4,09,500 Units cumulated, 3,04,09,500 Units sold during the year) (Current Investments)       | —                 | —        |
|  | —           | Units HDFC Fixed Maturity Plan - 3 Month - September 06 (I) - Institutional Plan - Dividend (4,20,00,000 Units Purchased, 6,20,340 Units cumulated, 4,26,20,340 Units sold during the year) (Current Investments) | —                 | —        |
|  | —           | Units HDFC Fixed Maturity Plan - 6 Month - June 06 (I) - Institutional Plan - Dividend (1,10,00,000 Units Purchased, 3,11,520 Units cumulated, 1,13,11,520 Units sold during the year) (Current Investments)      | —                 | —        |
|  | 5,00,00,000 | Units HDFC Fixed Maturity Plan - 90D - December 06 (2) - Institutional Plan - Dividend (5,00,00,000 Units Purchased during the year) (Current Investments)  | 50,00.00          | —        |
|  | 2,50,00,000 | Units HDFC Fixed Maturity Plan - 90D - November 06 (2) - Institutional Plan - Dividend (2,50,00,000 Units Purchased during the year) (Current Investments)  | 25,00.00          | —        |
|  | 1,74,13,473 | Units HDFC Liquid Fund - Premium Plus Plan - Growth (17,413,473 Units Purchased during the year) (Current Investments)  | 25,00.00          | —        |
|  | 2,04,84,128 | Units HDFC Liquid Fund - Premium Plus Plan - Weekly Dividend (32,202,850 Units Purchased, 382,810 Units cumulated, 12,101,532 Units sold during the year) (Current Investments)                                   | 25,45.05          | —        |
| <b>Birla Mutual Fund</b>   | —           | Units Birla Bond Plus - Institutional Plan - Dividend (23,802,950 Units Purchased, 115,826 Units cumulated, 23,918,776 Units sold during the year) (Current Investments)  | —                 | —        |
|  | —           | Units Birla Cash Plus - Institutional Premium Plan - Daily Dividend (98,07,19,533 Units Purchased, 11,01,978 Units cumulated, 98,18,21,511 Units sold during the year) (Current Investments)                      | —                 | —        |
|  | 6,57,99,714 | Units Birla Cash Plus - Institutional Premium Plan - Growth (6,57,99,714 Units Purchased during the year) (Current Investments)   | 75,00.00          | —        |
|  | —           | (2005-5,49,71,920 ) Units Birla Cash Plus - Institutional Premium Plan - Monthly Dividend (4,68,716 Units cumulated, 5,54,40,636 Units sold during the year) (Current Investments)                                | —                 | 54,99.06 |
|  | 7,86,78,145 | Units Birla Cash Plus - Institutional Premium Plan - Weekly Dividend (62,24,01,230 Units Purchased, 5,719,211 Units cumulated, 54,94,42,296 Units sold during the year) (Current Investments)                     | 78,86.03          | —        |
|  | —           | (2005-99,92,107 Units Birla Fixed Maturity Plan - Quarterly Series 2 - December 05 - Dividend (2,49,60,064 Units Purchased, 34,952,171 Units sold during the year) (Current Investments)                          | —                 | 10,00.00 |
|  | 3,98,84,336 | Units Birla Fixed Maturity Plan - Quarterly Series 2 - September 06 - Dividend (5,48,48,870 Units Purchased, 2,27,009 Units cumulated, 1,51,91,543 Units sold during the year) (Current Investments)              | 40,00.00          | —        |
|  | —           | Units Birla Fixed Maturity Plan - Quarterly Series 2 - Dividend (2,00,00,000 Units Purchased 2,00,00,000 Units sold during the year) (Current Investments)  | —                 | —        |
|  | 3,00,00,000 | Units Birla Fixed Maturity Plan - Quarterly Series 4 - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)   | 30,00.00          | —        |
|  | —           | (2005-5,00,00,000 Units Birla Fixed Maturity Plan - Series A - Growth (5,00,00,000 Units sold during the year) (Current Investments)  | —                 | 50,00.00 |
|  | 1,00,00,000 | Units Birla Fixed Maturity Plan - Series E - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)   | 10,00.00          | —        |
|  | 2,00,00,000 | Units Birla Fixed Maturity Plan - Series H - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)   | 20,00.00          | —        |
| <b>Deutsche Mutual Fund</b>  | —           | (2005-1,00,00,000 Units Deutsche Fixed Term Fund - 389 Days - Growth (1,00,00,000 Units sold during the year) (Current Investments)   | —                 | 10,00.00 |
|  | —           | Units Deutsche Fixed Term Fund - Series 13 - Dividend (1,50,00,000 Units Purchased, 221,987 Units cumulated, 1,52,21,987 Units sold during the year) (Current Investments)  | —                 | —        |
|  | 1,80,00,000 | Units Deutsche Fixed Term Fund - Series 22 - Dividend (18,00,000 Units Purchased during the year) (Current Investments)   | 18,00.00          | —        |
|  | 54,81,837   | (2005-5,4,81,837 Units Deutsche Fixed Term Fund - Series 4 - Growth (Current Investments)   | 5,48.18           | 5,45.98  |
|  | 35,00,000   | Units Deutsche Fixed Term Fund - Series 5 - Growth (35,00,000 Units Purchased during the year) (Current Investments)  | 3,50.00           | —        |

## Schedules to Balance Sheet

|  |             | 2006<br>Rs. lakhs   | 2005<br>Rs. lakhs |          |
|--|-------------|---|-------------------|----------|
| <b>6. INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated) |             |   |                   |          |
|  | 1,10,00,000 | Units Deutsche Fixed Term Fund - Series 6 - Growth (1,10,00,000 Units Purchased during the year) (Current Investments)  | <b>11,00.00</b>   | —        |
|  | —           | Units Deutsche Insta Cash Plus Fund - Institutional Plan - Weekly Dividend (2,77,93,101 Units Purchased, 3,82,535 Units cumulated, 2,81,75,636 Units sold during the year) (Current Investments)  | —                 | —        |
|  | —           | Units Deutsche Fixed Term Fund - 389 Days - Growth (40,00,000 Units acquired on amalgamation (Refer Note 14) and sold during the year) (Current Investments)  | —                 | —        |
|  | —           | Units Deutsche Insta Cash Plus Fund - Institutional Plan - Growth (69,589 Units acquired on amalgamation (Refer Note 14) and sold during the year) (Current Investments)  | —                 | —        |
| <b>HSBC Mutual Fund</b>  | —           | Units HSBC Cash Fund - Institutional Plus - Daily Dividend (22,33,74,911 Units Purchased, 1,73,202 Units cumulated, 22,35,48,113 Units sold during the year) (Current Investments)  | —                 | —        |
|  | —           | Units HSBC Cash Fund - Institutional Plus - Growth (2,22,01,501 Units Purchased and sold during the year) (Current Investments)   | —                 | —        |
|  | —           | (2005-2,51,73,398 Units HSBC Cash Fund - Institutional Plus - Monthly Dividend (1,88,230 Units cumulated, 2,53,61,628 Units sold during the year) (Current Investments)   | —                 | 25,19.43 |
|  | —           | Units HSBC Cash Fund - Institutional Plus - Weekly Dividend (26,62,33,604 Units Purchased, 16,19,327 Units cumulated, 26,78,52,931 Units sold during the year) (Current Investments)  | —                 | —        |
|  | —           | 2005-1,80,44,571 Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus Daily Dividend (35,991 Units cumulated, 1,80,80,562 Units sold during the year) (Current Investments)   | —                 | 18,04.82 |
|  | —           | 2005- 3,88,29,717 Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus Monthly Dividend (2,71,003 Units cumulated, 3,91,00,720 Units sold during the year) (Current Investments)  | —                 | 38,85.07 |
|  | 1,00,00,000 | (2005-1,00,00,000 Units HSBC Fixed Term Series 1 - Growth (Current Investments)   | <b>10,00.00</b>   | 9,96.51  |
|  | 1,50,00,000 | Units HSBC Fixed Term Series 14 - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)  | <b>15,00.00</b>   | —        |
|  | 1,20,00,000 | Units HSBC Fixed Term Series 21 - Institutional Plan - Growth (1,20,00,000 Units Purchased during the year) (Current Investments)   | <b>12,00.00</b>   | —        |
|  | —           | Units HSBC Fixed Term Series 3 - Dividend (1,50,00,000 Units Purchased, 5,00,266 Units cumulated, 1,55,00,266 Units sold during the year) (Current Investments)   | —                 | —        |
|  | 2,00,00,000 | Units HSBC Fixed Term Series 4 - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)   | <b>20,00.00</b>   | —        |
|  | —           | Units HSBC Fixed Term Series 7 - Dividend (2,50,00,000 Units Purchased, 3,76,027 Units cumulated, 2,53,76,027 Units sold during the year) (Current Investments)   | —                 | —        |
|  | —           | Units HSBC Fixed Term Series 8 - Dividend (2,50,00,000 Units Purchased, 4,30,648 Units cumulated, 2,54,30,648 Units sold during the year) (Current Investments)   | —                 | —        |
|  | 3,36,24,506 | Units HSBC Liquid Plus Fund - Institutional Plan Plus - Daily Dividend (3,35,04,639 Units Purchased, 1,19,867 Units cumulated during the year) (Current Investments)  | <b>33,62.52</b>   | —        |
|  | —           | Units HSBC Cash Fund - Institutional Plan - Growth (7,18,907 Units acquired on amalgamation [Refer note (i)] and sold during the year) (Current Investments)  | —                 | —        |
| <b>Principal Mutual Fund</b>   | —           | Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Daily Dividend (5,99,95,801 Units Purchased, 38,962 Units cumulated, 6,00,34,763 Units sold during the year) (Current Investments)                        | —                 | —        |
|  | 5,10,26,695 | Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Growth (5,10,26,695 Units Purchased during the year) (Current Investments)  | <b>57,00.00</b>   | —        |
|  | 2,03,85,149 | 2005-7,22,37,373 Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Monthly Dividend (1,99,95,002 Units Purchased, 9,60,460 Units cumulated, 7,28,07,686 Units sold during the year) (Current Investments)   | <b>20,39.02</b>   | 72,26.70 |
|  | 32,14,125   | 2005-1,49,98,651 Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Weekly Dividend (41,04,34,554 Units Purchased, 23,30,992 Units cumulated, 42,45,50,072 Units sold during the year) (Current Investments) | <b>3,21.44</b>    | 1,500.00 |
|  | —           | 2005-1,50,00,000 Units PRINCIPAL Deposit Fund - 371 days - March 05 - Growth (1,50,00,000 Units sold during the year) (Current Investments)   | —                 | 1,500.00 |
|  | —           | 2005-1,50,00,000 Units PRINCIPAL Deposit Fund - November 05 - 91 days - Dividend (1,50,00,000 Units Purchased, 4,07,074 Units cumulated, 3,04,07,074 Units sold during the year) (Current Investments)                                      | —                 | 1,500.00 |
|  | —           | Units PRINCIPAL Income Fund - Short Term Plan - Institutional Plan - Monthly Dividend (1,08,92,480 Units Purchased, 39,563 Units cumulated, 1,09,32,043 Units sold during the year) (Current Investments)                                   | —                 | —        |
|  | —           | 2005-2,31,85,393 Units PRINCIPAL Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend (2,28,71,363 Units Purchased, 2,85,156 Units cumulated, 4,63,41,912 Units sold during the year) (Current Investments)                 | —                 | 2,532.80 |
|  | 1,50,00,000 | Units Principal PNB Fixed Maturity Plan 385 Days - Series 1 - Institutional Plan - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)   | <b>15,00.00</b>   | —        |

## Schedules to Balance Sheet

|                                       |   | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |          |
|---------------------------------------|---|--|-------------------|----------|
| <b>6.</b>                             | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated) |  |                   |          |
|                                       | 1,00,00,000   | Units Principal PNB Fixed Maturity Plan 385 Days - Series 2 - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)   | 10,00.00          | —        |
|                                       | —   | Units Principal PNB Fixed Maturity Plan 91 Days - Series 1 - Dividend (3,00,00,000 Units Purchased, 4,09,041 Units cumulated, 3,04,09,041 Units sold during the year) (Current Investments)                    | —                 | —        |
|                                       | —   | Units Principal PNB Fixed Maturity Plan 91 Days - Series 2 - Dividend (2,00,00,000 Units Purchased, 3,07,168 Units cumulated, 2,03,07,168 Units sold during the year) (Current Investments)                    | —                 | —        |
|                                       | —   | Units Principal PNB Fixed Maturity Plan 91 Days - Series 3 - Dividend (1,70,00,000 Units Purchased, 2,90,739 Units cumulated, 1,72,90,739 Units sold during the year) (Current Investments)                    | —                 | —        |
|                                       | —   | Units Principal PNB Fixed Maturity Plan 91 Days - Series 4 - Dividend (1,50,00,000 Units Purchased and sold during the year) (Current Investments)   | —                 | —        |
|                                       | 60,00,000   | Units Principal PNB Fixed Maturity Plan 91 Days - Series 5 - Dividend (1,60,00,000 Units Purchased, 1,45,623 Units cumulated, 1,01,45,623 Units sold during the year) (Current Investments)                    | 6,00.00           | —        |
|                                       | 3,50,00,000   | Units Principal PNB Fixed Maturity Plan 91 Days - Series 6 - Dividend (3,50,00,000 Units Purchased during the year) (Current Investments)  | 35,00.00          | —        |
| <b>Franklin Templeton Investments</b> | 4,30,00,000   | Units Franklin Templeton Fixed Tenure Fund - Series 5 - Growth (4,30,00,000 Units Purchased during the year) (Current Investments)   | 43,00.00          | —        |
|                                       | —   | Units Templeton India Short Term Institutional Plan - Institutional Plan - Weekly Dividend 7,80,555 Units Purchased, 5,641 Units cumulated, 7,86,196 Units sold during the year) (Current Investments)         | —                 | —        |
|                                       | —   | Units Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend (36,48,562 Units Purchased, 3,381 Units cumulated, 36,51,943 Units sold during the year) (Current Investments)   | —                 | —        |
|                                       | 4,72,655  | Units Templeton India Treasury Management Account - Super Institutional Plan - Growth (4,72,655 Units Purchased during the year) (Current Investments)   | 50,00.00          | —        |
|                                       | 1,05,783  | Units Templeton India Treasury Management Account - Super Institutional Plan - Weekly Dividend (34,19,848 Units Purchased, 16,561 Units cumulated, 33,30,626 Units sold during the year) (Current Investments) | 10,75.38          | —        |
|                                       | —   | Units Templeton India Treasury Management Account - Weekly Dividend (1,470 Units acquired on amalgamation (Refer note 14), 3 Units cumulated, 1,473 Units sold during the year) (Current Investments)          | —                 | —        |
| <b>ABN AMRO Mutual Fund</b>           | —   | Units ABN AMRO Cash Fund - Institutional Plus Plan - Daily Dividend (5,10,00,000 Units Purchased, 19,765 Units cumulated, 5,10,19,765 Units sold during the year) (Current Investments)                        | —                 | —        |
|                                       | —   | (2005-7,79,70,636 Units ABN AMRO Cash Fund - Institutional Plus Plan - Monthly Dividend 2,19,51,753 Units Purchased, 3,87,479 Units cumulated, 10,03,09,868 Units sold during the year) (Current Investments)  | —                 | 77,97.80 |
|                                       | 74,21,378   | Units ABN AMRO Cash Fund - Institutional Plus Plan - Weekly Dividend (2,20,50,539 Units Purchased, 3,57,353 Units cumulated, 1,49,86,514 Units sold during the year) (Current Investments)                     | 7,42.14           | —        |
|                                       | 2,00,00,000   | Units ABN AMRO Fixed Term Plan - Series 1 - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)   | 20,00.00          | —        |
|                                       | 2,00,00,000   | Units ABN AMRO Fixed Maturity Plan - Series 2 - 13 Month Plan - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)   | 20,00.00          | —        |
|                                       | —   | Units ABN AMRO Fixed Maturity Plan - Series 2 - Half Yearly Plan - Dividend (1,00,00,000 Units Purchased, 2,97,795 Units cumulated, 1,02,97,795 Units sold during the year) (Current Investments)              | —                 | —        |
|                                       | —   | Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan A - Dividend (2,60,00,000 Units Purchased, 4,11,068 Units cumulated, 2,64,11,068 Units sold during the year)                                    | —                 | —        |
|                                       | —   | Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan B - Dividend (1,00,00,000 Units Purchased, 1,39,154 Units cumulated, 1,01,39,154 Units sold during the year) (Current Investments)              | —                 | —        |
|                                       | —   | Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan C - Dividend (1,00,00,000 Units Purchased, 1,36,593 Units cumulated, 1,01,36,593 Units sold during the year) (Current Investments)              | —                 | —        |
|                                       | —   | Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan D - Dividend (1,70,00,000 Units Purchased, 2,40,608 Units cumulated, 1,72,40,608 Units sold during the year) (Current Investments)              | —                 | —        |
|                                       | —   | Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan A - Dividend (1,00,00,000 Units Purchased, 1,41,723 Units cumulated, 1,01,41,723 Units sold during the year) (Current Investments)              | —                 | —        |
|                                       | —   | Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan B - Dividend (1,70,00,000 Units Purchased, 2,50,145 Units cumulated, 1,72,50,145 Units sold during the year) (Current Investments)              | —                 | —        |

## Schedules to Balance Sheet

|                                   |   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|-----------------------------------|---|-------------------|-------------------|
| <b>6.</b>                         | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)   |                   |                   |
|                                   | — Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan C - Dividend (1,00,00,000 Units Purchased, 1,47,272 Units cumulated, 1,01,47,272 Units sold during the year) (Current Investments) | —                 | —                 |
|                                   | — Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan D - Dividend (5,50,00,000 Units Purchased, 8,38,811 Units cumulated, 5,58,38,811 Units sold during the year) (Current Investments) | —                 | —                 |
|                                   | 3,30,00,000 Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan E - Dividend (3,30,00,000 Units Purchased during the year) (Current Investments)   | 33,00.00          | —                 |
|                                   | 3,00,00,000 Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan G - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)   | 30,00.00          | —                 |
|                                   | 1,00,00,000 Units ABN AMRO Fixed Maturity Plan - Series 3 - Yearly Plan - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | 10,00.00          | —                 |
|                                   | 1,20,00,000 Units ABN AMRO Fixed Maturity Plan - Series 4 - Quarterly Plan A - Monthly Dividend (1,20,00,000 Units Purchased during the year) (Current Investments)                                 | 12,00.00          | —                 |
|                                   | 4,50,00,000 Units ABN AMRO Fixed Maturity Plan - Series 4 - Quarterly Plan B - Dividend (4,50,00,000 Units Purchased during the year) (Current Investments)   | 45,00.00          | —                 |
| <b>SBI Mutual Fund</b>            | 2,50,00,000 Units SBI Magnum Debt Fund Series - 90 Days - December 06 - Dividend (2,50,00,000 Units Purchased during the year) (Current Investments)  | 25,00.00          | —                 |
|                                   | — Units SBI Magnum Debt Fund Series - 90 Days - May 06 - Dividend (1,00,00,000 Units Purchased, 1,34,100 Units cumulated, 1,01,34,100 Units sold during the year) (Current Investments)             | —                 | —                 |
|                                   | — (2005-6,04,97,483 Units SBI Magnum Institutional Income Savings Plan - Fty Dividend 1,98,495 Units cumulated, 6,06,95,978 Units sold during the year) (Current Investments)                       | —                 | 60,87.80          |
|                                   | — Units SBI Magnum Institutional Income Savings Plan - Weekly Dividend (5,79,75,782 Units Purchased, 96,837 Units cumulated, 5,80,72,619 Units sold during the year) (Current Investments)          | —                 | —                 |
| <b>Tata Mutual Fund</b>           | 1,50,00,000 (2005-1,50,00,000 Units Tata Fixed Horizon Fund - Series 2 - Plan B - Growth (Current Investments)  | 15,00.00          | 14,98.23          |
|                                   | 1,00,00,000 Units Tata Fixed Horizon Fund - Series 2 - Plan C - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | 10,00.00          | —                 |
|                                   | 1,00,00,000 Units Tata Fixed Horizon Fund - Series 3 - Plan F - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | 1,00.00           | —                 |
|                                   | 2,40,00,000 Units Tata Fixed Horizon Fund - Series 3 - Plan G - Growth (2,40,00,000 Units Purchased during the year) (Current Investments)  | 2,40.00           | —                 |
|                                   | — Units Tata Fixed Horizon Fund - Series 5 - Plan A - Dividend (1,80,00,000 Units Purchased, 3,14,629 Units cumulated, 1,83,14,629 Units sold during the year) (Current Investments)                | —                 | —                 |
|                                   | — Units Tata Fixed Horizon Fund - Series 5 - Plan C - Dividend (2,50,00,000 Units Purchased, 3,50,434 Units cumulated, 2,53,50,434 Units sold during the year) (Current Investments)                | —                 | —                 |
|                                   | 50,00,000 Units Tata Fixed Horizon Fund - Series 7 - Plan D - Institutional Plan - Growth (50,00,000 Units Purchased during the year) (Current Investments)   | 5,00.00           | —                 |
|                                   | — (2005-1,79,417 Units Tata Liquid Fund - Super High Investment Plan - Monthly Dividend (584 Units cumulated, 1,80,001 Units sold during the year) (Current Investments)                            | —                 | 20,28.17          |
|                                   | — Units Tata Liquid Fund - Super High Investment Plan - Weekly Dividend (1,79,644 Units Purchased, 64 Units cumulated, 1,79,708 Units sold during the year) (Current Investments)                   | —                 | —                 |
| <b>Kotak Mahindra Mutual Fund</b> | — Units Kotak Fixed Maturity Plan - 3 Month - Series 1 - Dividend (1,00,00,000 Units Purchased, 1,43,699 Units cumulated, 1,01,43,699 Units sold during the year) (Current Investments)             | —                 | —                 |
|                                   | — Units Kotak Fixed Maturity Plan - 3 Month - Series 2 - Dividend (1,00,00,000 Units Purchased, 1,38,974 Units cumulated, 1,01,38,974 Units sold during the year) (Current Investments)             | —                 | —                 |
|                                   | — Units Kotak Fixed Maturity Plan - 3 Month - Series 4 - Dividend (1,00,00,000 Units Purchased, 1,49,173 Units cumulated, 1,01,49,173 Units sold during the year) (Current Investments)             | —                 | —                 |
|                                   | 50,00,000 Units Kotak Fixed Maturity Plan - 3 Month - Series 6 - Dividend (5,00,000 Units Purchased during the year) (Current Investments)  | 5,00.00           | —                 |
|                                   | 1,00,00,000 Units Kotak Fixed Maturity Plan - 3 Month - Series 7 - Dividend (1,00,00,000 Units Purchased during the year) (Current Investments)   | 1,00.00           | —                 |
|                                   | 1,50,00,000 Units Kotak Fixed Maturity Plan Series 13 - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)  | 1,50.00           | —                 |
|                                   | — Units Kotak Fixed Maturity Plan Series 19 - Dividend (1,50,00,000 Units Purchased, 245,619 - Units cumulated, 1,52,45,619 Units sold during the year) (Current Investments)                       | —                 | —                 |
|                                   | — Units Kotak Fixed Maturity Plan Series 23 - Dividend (2,00,00,000 Units Purchased, 3,31,311 Units cumulated, 2,03,31,311 Units sold during the year) (Current Investments)                        | —                 | —                 |
|                                   | — Units Kotak Fixed Maturity Plan Series 24 - Dividend (1,00,00,000 Units Purchased, 1,33,858 - Units cumulated, 10,133,858 Units sold during the year) (Current Investments)                       | —                 | —                 |

## Schedules to Balance Sheet

|  |  |   | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |
|--|--|---|--------------------|-------------------|
| <b>6. INVESTMENTS (Contd...)</b>                           | (Long-term, Unquoted, unless otherwise stated)                           |   |                    |                   |
| <b>LIC Mutual Fund</b>                                     | 50,00,000  | Units LIC Mutual Fund Fixed Maturity Plan - Series 5 - Growth (50,00,000 Units Purchased during the year) (Current Investments)   | <b>5,00.00</b>     | —                 |
|  | —  | Units LIC Mutual Fund Fixed Maturity Plan - Series 6 - Dividend (1,00,00,000 Units Purchased, 1,75,515 Units cumulated, 1,01,75,515 Units sold during the year) (Current Investments)               | —                  | —                 |
|  | —  | Units LIC Mutual Fund Fixed Maturity Plan - Series 8 - Dividend (1,00,00,000 Units Purchased, 1,49,952 Units cumulated, 1,01,49,952 Units sold during the year) (Current Investments)               | —                  | —                 |
| <b>Reliance Mutual Fund</b>                                | —  | Units Reliance Fixed Horizon Fund - Series 1 - Plan B - Dividend (50,00,000 Units Purchased, 67,503 Units cumulated, 50,67,503 Units sold during the year) (Current Investments)                    | —                  | —                 |
|  | —  | Units Reliance Fixed Horizon Fund - Series 2 - Plan A - Dividend (1,00,00,000 Units Purchased, 44,675 Units cumulated, 1,00,44,675 Units sold during the year) (Current Investments)                | —                  | —                 |
|  | —  | Units Reliance Fixed Horizon Fund - Series 2 - Plan B - Dividend (3,00,00,000 Units Purchased, 4,67,250 Units cumulated, 3,04,67,250 Units sold during the year) (Current Investments)              | —                  | —                 |
|  | —  | Units Reliance Fixed Horizon Fund - Series 3 - Plan A - Dividend (1,00,00,000 Units Purchased, 44,349 Units cumulated, 1,00,44,349 Units sold during the year) (Current Investments)                | —                  | —                 |
|  | —  | Units Reliance Fixed Horizon Fund - Series 3 - Plan B - Dividend (1,50,00,000 Units Purchased, 2,10,838 Units cumulated, 1,52,10,838 Units sold during the year) (Current Investments)              | —                  | —                 |
|  | —  | Units Reliance Fixed Horizon Fund - Series 4 - Plan B - Dividend (1,50,00,000 Units Purchased, 2,28,725 Units cumulated, 1,52,28,725 Units sold during the year) (Current Investments)              | —                  | —                 |
|  | —  | Units Reliance Fixed Horizon Fund Series 1 - Monthly Plan 1 - Dividend (2,50,00,000 Units Purchased, 1,21,488 Units cumulated, 2,51,21,488 Units sold during the year) (Current Investments)        | —                  | —                 |
|  | —  | Units Reliance Fixed Horizon Fund Series 1 - Quarterly Plan 1 - Dividend (1,50,00,000 Units Purchased, 22,946 Units cumulated, 1,50,22,946 Units sold during the year) (Current Investments)        | —                  | —                 |
|  | 2,00,00,000  | Units Reliance Fixed Horizon Fund Series 1 - Quarterly Plan 2 - Dividend (2,00,00,000 Units Purchased during the year) (Current Investments)  | <b>20,00.00</b>    | —                 |
|  | 1,50,00,000  | Units Reliance Fixed Horizon Fund Series 1 - Quarterly Plan 4 - Dividend (1,50,00,000 Units Purchased during the year) (Current Investments)  | <b>15,00.00</b>    | —                 |
|  | —  | Units Reliance Fixed Horizon Fund Series 2 - Monthly Plan 1 - Dividend (2,00,00,000 Units Purchased, 1,03,888 Units cumulated, 2,01,03,888 Units sold during the year) (Current Investments)        | —                  | —                 |
|  | 98,81,243  | Units Reliance Liquid Fund - Cash Plan - Daily Dividend (98,73,352 Units Purchased, 7,891 Units cumulated during the year) (Current Investments)  | <b>11,00.88</b>    | —                 |
| <b>UTI Mutual Fund</b>                                     | —  | Units UTI - Fixed Maturity Plan - August 06 - Quarterly Series 2 - Dividend (2,50,00,000 Units Purchased, 3,64,873 Units cumulated, 2,53,64,873 Units sold during the year) - (Current Investments) | —                  | —                 |
|  | 1,00,00,000  | Units UTI - Fixed Maturity Plan - August 06 - Yearly Series - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>    | —                 |
|  | 2,50,00,000  | Units UTI - Fixed Maturity Plan - December 06 - Half Yearly Series - Dividend (2,50,00,000 Units Purchased during the year) (Current Investments)   | <b>25,00.00</b>    | —                 |
|  | —  | Units UTI - Fixed Maturity Plan - May 06 - Quarterly Series 2 - Dividend (10,00,000 Units Purchased, 12,776 Units cumulated, 10,12,776 Units sold during the year) (Current Investments)            | —                  | —                 |
|  | 50,00,000  | Units UTI - Fixed Maturity Plan - November 06 - Quarterly Series 1 - Dividend (50,00,000 Units Purchased during the year) (Current Investments)   | <b>5,00.00</b>     | —                 |
|  | 1,00,00,000  | Units UTI - Fixed Maturity Plan - October 06 - Quarterly Series 2 - Dividend (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>    | —                 |
|  |  | <b>TOTAL - D</b>  | <b>2245,59.60</b>  | 1478,26.28        |
|  |  | <b>TOTAL (A+B+C+D)</b>  | <b>2522,22.30</b>  | 2148,72.40        |
| Provision for diminution in value of long-term investments |  |   | <b>(108,29.15)</b> | (134,52.56)       |
|  |  | <b>TOTAL</b>  | <b>2413,93.15</b>  | 2014,19.84        |
| Aggregate book value of investments                        | Unquoted   |   | <b>2346,08.18</b>  | 1896,19.08        |
|  | Quoted - Market Value Rs. 17,028.57 lakhs<br>(2005 - Rs.364,81.40 lakhs) |   | <b>67,84.97</b>    | 118,00.76         |
|  |  | <b>TOTAL</b>  | <b>2413,93.15</b>  | 2014,19.84        |



## Schedules to Balance Sheet

|   | 2006<br>Rs. lakhs   | 2005<br>Rs. lakhs |
|---|---------------------|-------------------|
| Advances recoverable in cash or in kind or for value to be received including :-  | <b>447,14.94</b>    | 345,86.66         |
| (i) Rs. 133,16.73 lakhs (2005 - Rs. 132,36.36 lakhs) not due before 31st December, 2007;  |                     |                   |
| (ii) Rs. Nil (2005 - Rs. 0.10 lakhs) due from the directors of the Company - maximum amount due during the year Rs. 0.10 lakhs (2005 - Rs. 1,58.04 lakhs)       |                     |                   |
| Considered doubtful   | <b>30,80.36</b>     | 36,37.16          |
|   | <b>477,95.30</b>    | 382,23.82         |
| Less : Provision for doubtful advances  | <b>(30,80.36)</b>   | (36,37.16)        |
|   | <b>447,14.94</b>    | 345,86.66         |
| Deposits with Customs, Port Trust, Excise, etc.   | <b>151,01.31</b>    | 138,11.30         |
|   | <b>742,89.78</b>    | 549,49.65         |
| <b>12. LIABILITIES</b>  |                     |                   |
| Acceptances   | <b>682,85.68</b>    | 560,64.90         |
| Sundry creditors (Schedule 19)  |                     |                   |
| Small Scale Industrial Undertakings   | <b>8,96.83</b>      | 42,68.29          |
| Others  | <b>2454,76.53</b>   | 2312,31.04        |
|   | <b>2463,73.36</b>   | 2354,99.33        |
| Advances and progress payments - Property Development Activity  | <b>5.97</b>         | 6.24              |
| Security advances   | <b>16,37.35</b>     | 15,53.88          |
| Dividends declared pending payment / encashment   | <b>38,57.46</b>     | 35,51.95          |
| Interest accrued but not due on loans   | <b>4.30</b>         | 2,69.18           |
|   | <b>3201,64.12 *</b> | 2969,45.48*       |
| * There is no amount due and outstanding to be credited to Investor Education and Protection Fund   |                     |                   |
| <b>13. PROVISIONS</b>   |                     |                   |
| Provision for retirement / post retirement benefits and other employee benefits   | <b>534,64.09</b>    | 469,51.20         |
| Proposed dividend   | <b>662,85.45</b>    | 550,31.09         |
| Current taxation (provisions in excess of payments) including tax on distributed profits  | <b>60,39.76</b>     | 65,86.12          |
| Fringe Benefit Taxation   | <b>8,77.00</b>      | 8,77.00           |
| Miscellaneous provisions (Schedule 17)  | <b>54,75.26</b>     | 64,41.45          |
|   | <b>1321,41.56</b>   | 1158,86.86        |
| <b>14. DEFERRED TAX ASSETS</b>  |                     |                   |
| On employee separation and retirement   | <b>211,26.28</b>    | 183,19.92         |
| On other timing differences   | <b>122,39.74</b>    | 116,70.44         |
| On fiscal allowances on investments   | <b>53.50</b>        | 5,29.68           |
| Other items   | <b>51,23.07</b>     | 33,48.13          |
| Note :<br>Deferred tax assets taken over consequent to the scheme of arrangement for amalgamation Rs. 10,89.54 lakhs (Refer note 14 to Profit and Loss Account) |                     |                   |
|   | <b>385,42.59</b>    | 338,68.17         |

## Schedules to Balance Sheet

|   | <b>2006</b>      | 2005      |
|---|------------------|-----------|
|   | <b>Rs. lakhs</b> | Rs. lakhs |
| <b>15. DEFERRED TAX LIABILITIES</b>   |                  |           |
| On fiscal allowances  | <b>160,87.89</b> | 118,53.71 |
| Note :  |                  |           |
| Deferred tax liabilities taken over consequent to the scheme of arrangement for amalgamation Rs. 6,29.74 lakhs (Refer note 14 to Profit and Loss account) |                  |           |
|   | <b>160,87.89</b> | 118,53.71 |

- 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 | Provision   | Amounts utilised/ | As at 31st |
|--------------------------|-----------|-------------|-------------------|------------|
|                          | January,  | made during | reversed during   | December,  |
|                          | 2006      | the year    | the year          | 2006       |
|                          | Rs. lakhs | Rs. lakhs   | Rs. lakhs         | Rs. lakhs  |
| Miscellaneous provisions | 64,41.45  | —           | (966.19)          | 54,75.26   |

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

**18. CONTINGENT LIABILITIES**

|   | <b>2006</b>      | 2005      |
|---|------------------|-----------|
|   | <b>Rs. lakhs</b> | Rs. lakhs |
| (a) Claims made against the Company not acknowledged as debts                                     |                  |           |
| Income tax matters  | <b>277,96.56</b> | 238,40.62 |
| Sales tax matters-gross Rs. 227,49.36 lakhs<br>(2005 - Rs. 213,05.91 lakhs) net of tax            | <b>150,91.93</b> | 141,34.34 |
| Excise and Customs duty matters-gross Rs. 6829.02 lakhs<br>(2005 - Rs. 59,89.77 lakhs) net of tax | <b>45,30.37</b>  | 39,73.61  |
| Other matters-gross Rs. 176.55 lakhs<br>(2005 - Rs. 60.60 lakhs) net of tax                       | <b>1,17.13</b>   | 40.20     |
| (b) Guarantees given to Banks etc. in respect of third parties                                    | <b>1,03.52</b>   | 48,44.57  |

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 : Canara Poly Pack, Elbee Polymers, Essem Technologies Pvt. Ltd., Firmenich Aromatics India Pvt. Ltd., Jobland Enterprises, Kayen Print Process (Pvt.) Ltd., Kyan Print Process, Lihala Packaging (Pvt.) Ltd., Mahantesh United, Maria Printers, Nagappa Paper Co., Prime Pack, Ruchi Packaging Pvt. Ltd., Sai Carton Manufacturing Co., Sandip Industries, Sigma Pack, Southern Prime Pack, Srivari Hitech Industries, Srinivasa Fine Arts Pvt.Ltd., Tristar Packaging, Unix Solutions, Vaigai Imaging Systems and Vee kay Oils Pvt.Ltd.

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. 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, 2006 | Percentage of ownership interest as at 31st December, 2005 |
|--|--------------------------|--|--|
| Kimberly-Clark Lever Private Limited                   | India                    | 50%  | 50%  |
| Quest International India Limited (upto 31st May,2006) | India                    | Nil  | 49%  |

The Company's interests in the 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 this joint venture, based on audited financial statements, are :

|   | As at 31st December, 2006<br>(Rs. lakhs)                          | As at 31st December, 2005<br>(Rs. lakhs)                          |
|---|---|---|
| <b>I. ASSETS</b>  |   |   |
| 1. Fixed Assets   | 11,95.65  | 36,45.46  |
| 2. Investments  | —   | 31,49.64  |
| 3. Current Assets, Loans and Advances                   |   |   |
| a) Inventories  | 7,92.51   | 13,79.33  |
| b) Sundry Debtors                                       | 3,01.26   | 10,79.06  |
| c) Cash and Bank Balances                               | 40,17.16  | 39,84.03  |
| d) Other Current Assets                                 | 2,89.65   | 1,54.78   |
| e) Loans and Advances                                   | 14,18.44  | 15,75.88  |
| <b>II. LIABILITIES</b>                                  |   |   |
| 1. Secured Loans  | (1.07)  | (1,25.19)   |
| 2. Deferred Tax Net                                     | (1,53.00)   | (3,99.43)   |
| 3. Current Liabilities and Provisions                   |   |   |
| a) Liabilities  | (17,83.91)  | (28,16.03)  |
| b) Provisions   | (12,76.84)  | (7,51.01)   |
|   | <b>For the year ended<br/>31st December, 2006<br/>(Rs. lakhs)</b> | <b>For the year ended<br/>31st December, 2005<br/>(Rs. lakhs)</b> |
| <b>III. INCOME</b>                                      |   |   |
| 1. Sales (net of excise duty)                           | 62,70.73  | 108,75.82   |
| 2. Other Income   | 3,03.09   | 4,15.64   |
| <b>IV. EXPENSES</b>                                     |   |   |
| 1. Operating Expenses                                   | (52,06.52)  | (91,65.88)  |
| 2. Depreciation   | (1,25.41)   | (5,23.46)   |
| 3. Interest   | (0.88)  | (1.21)  |
| 4. Provision for Taxation (including deferred taxation) | (4,43.03)   | (4,26.00)   |
| <b>V. OTHER MATTERS</b>                                 |   |   |
| Contingent Liabilities                                  | —   | —   |

21. 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 |                |
|--|-------------------|----------------|--------------------|----------------|
|  | 2006<br>Tonnes    | 2005<br>Tonnes | 2006<br>Tonnes     | 2005<br>Tonnes |
| <b>Scheduled :</b>                                   |                   |                |                    |                |
| Soaps  | 3,30,305          | 3,30,305       | 1,82,834           | 1,98,250       |
| Synthetic detergents                                 | 4,53,906          | 4,55,017       | 3,03,113           | 3,01,774       |
| Personal products (h)                                | 2,15,352          | 2,15,352       | 65,025             | 79,612         |
| Glycerine  | 8,857             | 8,857          | 2,833              | 5,243          |
| Fabric softener                                      | 2,833             | 2,833          | 4,281              | 4,281          |
| Fatty acids  | 84,667            | 84,667         | 46,667             | 56,667         |
| Perfumery and cosmetic products (units)              | 30,00,000         | 30,00,000      | 37,50,000          | 37,50,000      |
| Perfumery and cosmetic products                      | 3,022             | 3,022          | 3,136              | 3,136          |
| Packet Tea below 1kg. and tea bags                   | 5,000             | 5,000          | —                  | —              |
| Instant Tea  | 1,500             | 1,500          | 1,200              | 1,200          |
| Frozen Surimi, Fresh and Frozen fish, Mollusees etc. | 25,125            | 25,125         | 25,125             | 25,125         |
| Ice-cream/Frozen desserts (Million Litres) (i)       | 22                | 22             | 13                 | 13             |
| <b>Non-scheduled :</b>                               |                   |                |                    |                |
| Packed Tea (g)                                       | N.A.              | N.A.           | 1,93,138           | 1,93,138       |
| Packed Coffee  | N.A.              | N.A.           | 7,900              | 7,900          |
| Scourers (e)   | N.A.              | N.A.           | 23,467             | 23,467         |
| Cleaners (Litres)                                    | N.A.              | N.A.           | 1,48,00,000        | 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.

|   | 2006<br>Tonnes | 2005<br>Tonnes |
|---|----------------|----------------|
| <b>2. Production</b>                                    |                |                |
| Processed triglycerides / hydrogenated oils / vanaspati | 7,760**        | 5,244**        |
| Soaps   | 344,049**      | 306,351**      |
| Synthetic detergents                                    | 837,187**      | 780,836**      |
| Personal Products ('000 nos.)                           | 4,504,098      | 40,70,145      |
| Glycerine : Refined                                     | 5,630**        | 4,408**        |
| Packed Tea  | 61,481**       | 70,531**       |
| Garden Tea  | —              | 2,675          |
| Instant Tea   | 1,360          | 1,423          |
| Packed Coffee   | 13,484**       | 13,241**       |
| Functionalised biopolymers                              | —              | 4,885          |
| Processed Foods   | 22,432         | 22,148         |
| Canned and Processed Fruits and Vegetables              | 28,010**       | 22,971**       |
| Frozen Desserts (Million Ltrs.)                         | 8              | 6              |

\*\* Includes :

(a) Third party processing :

Processed triglycerides / hydrogenated oils / vanaspati - 2,744 tonnes (2005 - 2,035 tonnes), Soaps - 1,129 tonnes (2005 - 7,026 tonnes), Synthetic detergents - 350,316 tonnes (2005 - 356,108 tonnes), Glycerine - 3,635 tonnes (2005 - 2,756 tonnes), Packed Tea - 5,610 tonnes (2005 - 4,623 tonnes), Packed Coffee - 6,401 tonnes (2005 - 1,485 tonnes), Canned and Processed Fruits and Vegetables - 12,684 tonnes (2005 - 10,251 tonnes).

(b) Processing in leased units : Processed triglycerides / hydrogenated oil / vanaspati - 5,016 tonnes (2005 - 3,209 tonnes).

## Statements forming part of the Profit and Loss Account

|   | 2006        |                      | 2005      |                    |
|---|-------------|----------------------|-----------|--------------------|
|   | Tonnes      | Rs. lakhs            | Tonnes    | Rs. lakhs          |
| <b>3. Sales (including exports)</b>                 |             |                      |           |                    |
| Soaps   | 3,93,079    | 2808,68.65           | 3,71,681  | 2542,78.82         |
|   | 1,076*      |                      | 1,698*    |                    |
| Synthetic detergents                                | 11,05,209   | 2508,44.92           | 10,27,677 | 2164,50.88         |
|   | 795*        |                      | 2,216*    |                    |
| Personal Products ('000 nos.)                       | 1,12,96,720 | 3457,52.56           | 92,80,290 | 2994,86.19         |
|   | 34,071*     |                      | 34,471*   |                    |
| Garden Tea  | —           | —                    | 3,611     | 18,17.11           |
|   |             |                      | 388*      |                    |
| Tea   | 100,470     | 1409,50.69           | 1,08,419  | 1422,91.38         |
| Coffee  | 26,900      | 419,10.19            | 26,685    | 377,85.94          |
| Frozen Desserts & Ice Creams (Million Ltrs.)        | 15          | 134,42.16            | 13        | 97,03.38           |
| Processed triglycerides/hydrogenated oils/vanaspati | 21,455      | 86,94.11             | 47,853    | 199,92.59          |
|   | 3,206*      |                      | 2,360*    |                    |
| Canned and Processed Fruits and Vegetables          | 32,986      | 233,17.30            | 29,697    | 173,94.29          |
| Branded Staple Foods (a)                            | 230,727     | 177,92.62            | 2,76,213  | 167,77.38          |
| Speciality Chemicals (b)                            | 10,357      | 37,49.95             | 14,045    | 51,64.41           |
|   | 2,748*      |                      | 1,329*    |                    |
| Others (c)  |             | 830,15.47            |           | 849,12.25          |
|   |             | <b>1,21,03,38.62</b> |           | <b>11060,54.62</b> |

## 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.

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

|  | 2006     |                  | 2005     |                  | 2004    |                  |
|--|----------|------------------|----------|------------------|---------|------------------|
|  | Tonnes   | Rs. lakhs        | Tonnes   | Rs. lakhs        | Tonnes  | Rs. lakhs        |
| <b>4. Closing stocks (including processed chemicals)</b> |          |                  |          |                  |         |                  |
| Processed triglycerides/hydrogenated oils/vanaspati      | 998      | 3,61.19          | 1,720    | 8,30.25          | 3,681   | 14,70.76         |
| Soaps  | 31,248   | 192,00.65        | 26,747   | 139,96.23        | 27,777  | 150,51.48        |
| Synthetic detergents                                     | 47,062   | 126,76.68        | 45,156   | 104,87.78        | 48,214  | 106,74.04        |
| Personal Products ('000 nos.)                            | 1199,500 | 199,29.46        | 1106,333 | 154,46.18        | 949,162 | 215,79.08        |
| Tea  | 7,213    | 62,85.72         | 5,225    | 38,78.16         | 4,447   | 36,67.76         |
| Coffee   | 1,299    | 14,67.25         | 1,164    | 15,83.09         | 841     | 10,00.04         |
| Functionalised biopolymers                               | —        | —                | 112      | 27.34            | 182     | 55.55            |
| Others   |          | 61,07.01         |          | 72,52.83         |         | 56,50.12         |
|  |          | <b>660,27.96</b> |          | <b>535,01.86</b> |         | <b>591,48.83</b> |

|                                    | 2006     |                   | 2005     |                   |
|------------------------------------|----------|-------------------|----------|-------------------|
|                                    | Tonnes   | Rs. lakhs         | Tonnes   | Rs. lakhs         |
| <b>5. Raw materials consumed @</b> |          |                   |          |                   |
| Oils, fats and rosins              | 282,167  | 822,56.09         | 245,443  | 688,18.86         |
| Chemicals and perfumes             | 1065,344 | 1813,50.54        | 1066,362 | 1582,73.50        |
| Tea and Green Leaf *               | 90,797   | 620,58.24         | 110,008  | 650,46.92         |
| Coffee                             | 25,860   | 184,92.28         | 25,704   | 168,27.65         |
| Others                             |          | 372,14.06         |          | 465,09.39         |
|                                    |          | <b>3813,71.21</b> |          | <b>3554,76.32</b> |

\* Includes Green Leaf plucked / purchased and consumed.

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

|   | 2006 |            | 2005 |            |
|---|------|------------|------|------------|
|   | %    | Rs. lakhs  | %    | Rs. lakhs  |
| <b>6. Value of imported and indigenous materials consumed</b> |      |            |      |            |
| Raw materials   |      |            |      |            |
| - Imported  | 17   | 644,33.06  | 17   | 616,02.97  |
| - Indigenous  | 83   | 3169,38.15 | 83   | 2938,73.35 |
| Spare parts and components (including stores)                 |      |            |      |            |
| - Imported  | 47   | 32,35.83   | 19   | 10,82.64   |
| - Indigenous  | 53   | 36,19.58   | 81   | 46,14.11   |

## Statements forming part of the Profit and Loss Account

|  | 2006            |                    | 2005          |                    |
|--|-----------------|--------------------|---------------|--------------------|
|  | Rs. lakhs       |                    | Rs. lakhs     |                    |
| <b>7. Value of imports on CIF basis</b><br>(excluding purchases from canalising agencies and imported items purchased locally) |                 |                    |               |                    |
| Raw and packing materials  |                 | <b>715,62.91</b>   |               | 659,10.50          |
| Spare parts and components   |                 | <b>23,40.08</b>    |               | 7,93.78            |
| Capital goods  |                 | <b>2,71.90</b>     |               | 2,58.14            |
|  |                 | <b>741,74.89</b>   |               | <b>669,62.42</b>   |
|  |                 |                    |               |                    |
|  | <b>2006</b>     | <b>2005</b>        | <b>2006</b>   | <b>2005</b>        |
|  | <b>Tonnes</b>   | <b>Rs. lakhs</b>   | <b>Tonnes</b> | <b>Rs. lakhs</b>   |
| <b>8. Purchase of goods</b>  |                 |                    |               |                    |
| Processed triglycerides/hydrogenated oils/vanaspati  | <b>16,179</b>   | <b>53,84.08</b>    | 43,008        | 154,60.14          |
| Soaps  | <b>54,607</b>   | <b>236,39.88</b>   | 65,998        | 231,83.49          |
| Synthetic detergents   | <b>270,723</b>  | <b>449,27.19</b>   | 2,45,999      | 341,67.23          |
| Personal Products ('000 nos.)  | <b>6919,860</b> | <b>654,04.23</b>   | 54,01,787     | 512,95.25          |
| Ice creams (Million Ltrs.)   | <b>7</b>        | <b>30,90.76</b>    | 9             | 43,37.19           |
| Others (agri commodities, scourers, edible oils and fats, etc.)  |                 | <b>499,15.64</b>   |               | 473,33.25          |
| <b>Total</b>   |                 | <b>1923,61.78</b>  |               | <b>1757,76.55</b>  |
| Less : Excise duty on purchases  |                 | <b>(172,10.67)</b> |               | <b>(143,85.78)</b> |
|  |                 | <b>1751,51.11</b>  |               | <b>1613,90.77</b>  |
|  |                 |                    |               |                    |
|  |                 | <b>2006</b>        |               | <b>2005</b>        |
|  |                 | <b>Rs. lakhs</b>   |               | <b>Rs. lakhs</b>   |
| <b>9. Earnings in foreign exchange</b>   |                 |                    |               |                    |
| Exports at FOB (including exports to Nepal and Bhutan)   |                 | <b>1247,49.25</b>  |               | 1294,68.35         |
| Others (income from services, freight, insurance, claims, proceeds from sale of fixed assets, etc.)                            |                 | <b>188,59.54</b>   |               | 152,95.61          |
|  |                 | <b>1436,08.79</b>  |               | <b>1447,63.96</b>  |
|  |                 |                    |               |                    |
| <b>10. Expenditure in foreign currency</b><br>(on payment basis) (subject to deduction of tax where applicable)                |                 |                    |               |                    |
| Consultancy  |                 | <b>7,34.88</b>     |               | 9,92.94            |
| Royalty  |                 | <b>70,79.38</b>    |               | 60,56.29           |
| Interest   |                 | <b>—</b>           |               | 14.54              |
| Other matters :  |                 |                    |               |                    |
| (a) Imports of goods for resale  |                 | <b>47,88.26</b>    |               | 25,79.25           |
| (b) Others   |                 | <b>73,34.21</b>    |               | 86,05.50           |
|  |                 | <b>199,36.73</b>   |               | <b>182,48.52</b>   |
|  |                 |                    |               |                    |
| <b>11. Net dividend remitted in foreign currency</b>   |                 |                    |               |                    |
| 2004 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each   |                 | <b>—</b>           |               | 283,71.24          |
| 2005 Interim to 7 shareholders on 1,13,48,49,460 shares of Re.1 each   |                 | <b>—</b>           |               | 283,71.24          |
| 2005 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each   |                 | <b>283,71.24</b>   |               | <b>—</b>           |
| 2006 Interim to 7 shareholders on 1,13,48,49,460 shares of Re. 1 each  |                 | <b>340,45.48</b>   |               | <b>—</b>           |
|  |                 | <b>624,16.72</b>   |               | <b>567,42.48</b>   |
|  |                 |                    |               |                    |
| <b>12.</b> 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

|  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--|-------------------|-------------------|
| <b>13. Directors' remuneration</b>                           |                   |                   |
| Salaries   | 3,76.83           | 1,54.45           |
| Performance Linked Bonus / Commission to Wholetime Directors | 4,65.83           | 2,90.40           |
| Commission to Non-Wholetime Directors                        | 25.00             | 25.00             |
| Contribution to provident fund                               | 96.80             | 53.38             |
| Other perquisites*   | 43.62             | 57.95             |
|  | <b>1008.08</b>    | <b>5,81.18</b>    |

\* 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.12.21 lakhs (2005: Rs. 1.45 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**

|   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|---|-------------------|-------------------|
| Net Profit after taxation   | 1855,37.34        | 1408,10.44        |
| Add :   |                   |                   |
| Depreciation (as per accounts)  | 130,16.35         | 124,45.32         |
| Directors' remuneration   | 10,08.08          | 5,81.18           |
| Directors' fees   | 12.60             | 11.20             |
| Provision / (write back) for doubtful debts and advances (net)  | 20,32.89          | (7,37.82)         |
| Book deficit / (surplus) on fixed assets sold, scrapped, etc. (net)   | 17,36.16          | (4,65.73)         |
| Surplus on disposal of investments (net)  | (15,98.93)        | (27,79.27)        |
| Provision for diminution in value of investment in subsidiaries   | 6,49.11           | 16,00.00          |
| 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 | (1,74.79)         | 6.06              |
| 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          |
| Profit arising on disposal of a long-term investments   | (123,22.48)       | 43,68.86          |
| Profit arising on disposal of brands  | (206,50.00)       | —                 |
| Profit arising out of demerger of plantation business   | —                 | (80,96.95)        |
| Profit arising on disposal of 51% share in a subsidiary company   | (48,77.25)        | —                 |
| Loss arising on disposal of subsidiary companies  | 8,69.30           | —                 |
| Taxation for the year (after considering exceptional items)   | 332,13.71         | 192,43.20         |
|   | <b>129,14.75</b>  | <b>243,46.28</b>  |
|   | <b>1984,52.09</b> | <b>1651,56.72</b> |
| Less :  |                   |                   |
| Depreciation under Section 350  | 138,77.32         | 132,77.36         |
| Deficit / (Surplus) on disposal of fixed assets (net) under Section 349   | 35.74             | (14,61.36)        |
|   | <b>139,13.06</b>  | <b>118,16.00</b>  |
| Net profit for Section 198 of the Companies Act, 1956   | <b>1845,39.03</b> | <b>1533,40.72</b> |
| Commission to Non-Wholetime Directors at 1%   | 18,45.39          | 15,33.41          |
| Commission to Wholetime Directors   | 92,26.95          | 76,67.04          |
| Commission payable for the year   | 4,90.83           | 3,15.40           |

## Notes to the Cash Flow Statement for the year ended 31st December, 2006

1. The cash flow statement has been prepared in accordance with the requirements of Accounting Standards - 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate Cash Outgo.
3. 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, 2006

### Information about Primary Business Segments

|   | 2006<br>Rs. lakhs  |                   |                    | 2005<br>Rs. lakhs |              |             |
|---|--------------------|-------------------|--------------------|-------------------|--------------|-------------|
|   | External           | Intersegment      | Total              | External          | Intersegment | Total       |
| <b>REVENUE</b>  |                    |                   |                    |                   |              |             |
| Soaps and Detergents  | <b>5595,88.75</b>  |                   | <b>5595,88.75</b>  | 4961,70.51        |              | 4961,70.51  |
| Personal Products   | <b>3359,78.62</b>  |                   | <b>3359,78.62</b>  | 2951,87.31        |              | 2951,87.31  |
| Beverages   | <b>1330,73.98</b>  |                   | <b>1330,73.98</b>  | 1277,44.74        |              | 1277,44.74  |
| Foods   | <b>384,90.60</b>   |                   | <b>384,90.60</b>   | 313,71.52         |              | 313,71.52   |
| Ice Creams  | <b>137,06.66</b>   |                   | <b>137,06.66</b>   | 98,14.67          |              | 98,14.67    |
| Exports   | <b>1278,88.42</b>  |                   | <b>1278,88.42</b>  | 1347,79.94        |              | 1347,79.94  |
| Other Operations  | <b>170,75.16</b>   | <b>949.88</b>     | <b>180,25.04</b>   | 243,19.70         | 7,26.56      | 250,46.26   |
| <b>Total Segment</b>  | <b>12258,02.19</b> | <b>949.88</b>     | <b>12267,52.07</b> | 11193,88.39       | 7,26.56      | 11201,14.95 |
| Eliminations  |                    |                   | <b>(949.88)</b>    |                   |              | (7,26.56)   |
| <b>Total Revenue (see note 3 to Segment Information)</b>  |                    |                   | <b>12258,02.19</b> |                   |              | 11193,88.39 |
| <b>RESULT</b>   |                    |                   |                    |                   |              |             |
| Soaps and Detergents  |                    |                   | <b>773,08.65</b>   |                   |              | 683,68.79   |
| Personal Products   |                    |                   | <b>943,09.77</b>   |                   |              | 845,20.85   |
| Beverages   |                    |                   | <b>220,50.92</b>   |                   |              | 242,40.46   |
| Foods   |                    |                   | <b>12,85.91</b>    |                   |              | (16,10.18)  |
| Ice Creams  |                    |                   | <b>18,71.50</b>    |                   |              | 5,07.67     |
| Exports   |                    |                   | <b>66,36.90</b>    |                   |              | 49,06.05    |
| Other Operations  |                    |                   | <b>(67,36.88)</b>  |                   |              | (27,68.31)  |
| <b>Total Segment</b>  |                    |                   | <b>1967,26.77</b>  |                   |              | 1781,65.33  |
| <b>Total Consolidated</b>   |                    |                   | <b>1967,26.77</b>  |                   |              | 1781,65.33  |
| Un-allocated expenditure net of un-allocated income   |                    |                   | <b>(257,25.02)</b> |                   |              | (310,22.28) |
| <b>Operating Profit</b>   |                    |                   | <b>1710,01.75</b>  |                   |              | 1471,43.05  |
| Interest expenses   |                    |                   | <b>(10,73.35)</b>  |                   |              | (19,19.31)  |
| 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) |                    |                   | <b>162,39.69</b>   |                   |              | 152,23.39   |
| Taxation for the year (including adjustments of previous years)   |                    |                   | <b>(322,01.00)</b> |                   |              | (249,96.32) |
| <b>Profit after taxation and before exceptional items</b>   |                    |                   | <b>1539,67.09</b>  |                   |              | 1354,50.81  |
| Exceptional items - income and expenditure (Segment)  |                    |                   |                    |                   |              |             |
| Soaps and Detergents  |                    | <b>77,87.84</b>   |                    |                   | (19,51.95)   |             |
| Personal Products   |                    | <b>192,59.87</b>  |                    |                   | —            |             |
| Beverages   |                    | <b>(31,31.72)</b> |                    |                   | —            |             |
| Foods   |                    | <b>(7,78.23)</b>  |                    |                   | —            |             |
| Ice Creams  |                    | <b>(3,49.39)</b>  |                    |                   | (15,00.00)   |             |
| Exports   |                    | <b>(6,33.77)</b>  |                    |                   | (38,43.96)   |             |
| Other Operations  |                    | <b>(20,42.09)</b> |                    |                   | 93,36.95     |             |
|   |                    |                   | <b>201,12.51</b>   |                   |              | 20,41.04    |
| Exceptional items— income and expenditure (Unallocated / Corporate)   |                    |                   | <b>124,70.45</b>   |                   |              | (24,34.54)  |
| Tax credit (net)  |                    |                   | <b>(10,12.71)</b>  |                   |              | 57,53.13    |
| <b>Net Profit</b>   |                    |                   | <b>1855,37.34</b>  |                   |              | 1408,10.44  |

## Segment Information for the Year Ended 31st December, 2006

### Information about Primary Business Segments

| Other Information                          | Segment Assets    |            | Segment Liabilities |              |
|--|-------------------|------------|---------------------|--------------|
|  | Rs. lakhs         |            | Rs. lakhs           |              |
|  | 2006              | 2005       | 2006                | 2005         |
| Soaps and Detergents                       | <b>1669,71.54</b> | 1474,09.95 | <b>(1608,88.24)</b> | (1537,43.36) |
| Personal Products                          | <b>716,22.57</b>  | 702,93.27  | <b>(556,20.41)</b>  | (475,13.09)  |
| Beverages                                  | <b>485,53.90</b>  | 403,00.56  | <b>(529,14.52)</b>  | (465,07.79)  |
| Foods                                      | <b>123,23.63</b>  | 11,57.34   | <b>(109,77.33)</b>  | (113,19.95)  |
| Ice Creams                                 | <b>80,52.66</b>   | 73,60.34   | <b>(74,09.03)</b>   | (83,03.05)   |
| Exports                                    | <b>565,39.34</b>  | 650,60.18  | <b>(273,97.97)</b>  | (220,65.50)  |
| Other Operations                           | <b>48,47.42</b>   | 39,41.07   | <b>(57,37.19)</b>   | (33,90.93)   |
| <b>Total</b>                               | <b>3689,11.06</b> | 3455,22.71 | <b>(3209,44.69)</b> | (2928,43.67) |
| Unallocated Corporate Assets / Liabilities | <b>3790,91.08</b> | 3154,20.00 | <b>(1547,09.18)</b> | (1375,36.45) |
| <b>Total Assets / Liabilities</b>          | <b>7480,02.14</b> | 6609,42.71 | <b>(4756,53.87)</b> | (4303,80.12) |

|                   | Capital Expenditure  |                 | Depreciation    |                 | Non – Cash Expenses other than Depreciation |                |
|-------------------|----------------------|-----------------|-----------------|-----------------|---|----------------|
|                   | Year 2006            | Year 2005       | Year 2006       | Year 2005       | Year 2006                                   | Year 2005      |
|                   | Soaps and Detergents | <b>67,07.50</b> | 73,69.31        | <b>63,00.20</b> | 54,15.23                                    | <b>4,71.69</b> |
| Personal Products | <b>24,89.80</b>      | 29,14.61        | <b>24,30.36</b> | 21,78.70        | <b>3,04.47</b>                              | 3,48.93        |
| Beverages         | <b>16,80.83</b>      | 4,40.15         | <b>7,02.05</b>  | 6,14.34         | <b>(54.45)</b>                              | 1,13.01        |
| Foods             | <b>2,89.67</b>       | 1,99.26         | <b>2,01.55</b>  | 1,70.19         | <b>1,19.78</b>                              | 31.19          |
| Ice Creams        | <b>1,38.15</b>       | 1,77.50         | <b>6,32.93</b>  | 6,32.96         | <b>29.54</b>                                | 14.47          |
| Exports           | <b>4,81.73</b>       | 16,52.80        | <b>11,90.35</b> | 11,68.00        | <b>30.22</b>                                | 34,08.10       |
| Other Operations  | <b>22.69</b>         | 10.84           | <b>30.16</b>    | 4,34.00         | <b>0.05</b>                                 | 91.78          |

## Segment Information for the Year Ended 31st December, 2006

### Information about secondary Business Segments

|  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |
|--|--------------------|-------------------|
| <b>Revenue by Geographical Market</b>                  |                    |                   |
| India  | <b>10842,72.18</b> | 9735,96.13        |
| Outside India  | <b>1415,30.01</b>  | 1457,92.26        |
| <b>Total</b>   | <b>12258,02.19</b> | 11193,88.39       |
| <b>Additions to Fixed Assets and Intangible Assets</b> |                    |                   |
| India  | <b>118,10.37</b>   | 127,64.47         |
| Outside India  | —                  | —                 |
| <b>Total</b>   | <b>118,10.37</b>   | 127,64.47         |
| <b>Carrying Amount of Segment Assets</b>               |                    |                   |
| India  | <b>3659,64.30</b>  | 3429,28.23        |
| Outside India  | <b>29,46.76</b>    | 15,91.98          |
| <b>Total</b>   | <b>3689,11.06</b>  | 3445,20.21        |

**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, 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

Revenue, Results, Assets and Liabilities of Vashisti Detergents Limited are included in Soaps and Detergent segment.(Refer note 14)

**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.

|   | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |
|---|--------------------|-------------------|
| <b>3. Revenue comprise</b>  |                    |                   |
| Sales   | <b>12103,38.62</b> | 11060,54.62       |
| Income from services rendered<br>(included in Other Income)             | <b>154,63.57</b>   | 131,39.86         |
| Income from property development activity<br>(included in Other Income) | —                  | 1,93.91           |
|   | <b>12258,02.19</b> | 11193,88.39       |

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:

Unilever India Exports Limited  
 Bon Limited  
 Unilever Nepal Limited  
 Lever India Exports Limited (Upto 31st March, 2005)  
 Modern Food Industries (India) Limited  
 Doom Dooma Tea Company Limited (Upto 1st January, 2006)  
 Pond's Exports Limited  
 Tea Estates India Limited (Upto 28th February, 2006)  
 Unilever India Shared Services Limited (Upto 10th October, 2006)  
 Rossell Industries Limited (Upto 30th April, 2005)  
 TOC Disinfectants Limited (Upto 31st March, 2005)  
 Modern Food and Nutrition Industries Limited  
 Levers Associated Trust Limited  
 Levindra Trust Limited  
 Hindlever Trust Limited  
 Daverashola Estates Private Limited (Formerly Hindustan Kwaliti Walls Foods Private Limited)

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

#### (i) Fellow Subsidiaries :

Brooke Bond Assam Estates Limited  
 Brooke Bond Group Limited  
 Brooke Bond South India Estates Limited  
 Lever Faberge UK  
 Unilever U.K. Central Resources Limited  
 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 Ltd.  
 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  
 Unilever Ethiopia  
 Unilever Philippines (Prc), Inc.  
 PT Unilever Indonesia TBK

#### Fellow Subsidiaries : (Contd.)

Unilever Thai Trading Limited  
 Unilever Sanayi ve Ticaret Turk A.S  
 Unilever Home & Personal Care USA  
 Lever Egypt SAE  
 Lipton Division, Canada  
 Lever Arabia Limited  
 Lever Brothers Nigeria Limited  
 Lipton Soft Drinks (Ireland)  
 Lever Israel  
 Elida P/S, Vietnam  
 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 Limited  
 Unilever Ukraine  
 Unilever Tuketim Mersin Serbest Bolge Subesi, Turkey  
 Towells Lever LLC, Arabia  
 Binzagr Lever Limited, Arabia  
 Unilever Industries Private Limited  
 Digital Securities Private Limited  
 Lever Faberge France  
 Unilever Tanzania Limited  
 Unilever Cambodia Limited  
 Lever Faberge Belgium  
 Unilever Maghreb Export SA, Tunisia  
 Unilever UK & CN Holdings, UK  
 Lipton Limited - 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. Limited, China  
 Unilever Korea  
 Unilever Vietnam  
 Unilever Canada - Foods  
 Unilever Nigeria  
 Lipton Limited (Head Office) / Lipton Tea Supply Limited  
 Unilever Market Development SA  
 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 Uganda Ltd.  
 Unilever Finland OY  
 Unilever Sverige AB  
 Unilever UK Food Manchester  
 Unilever Kenya Ltd.  
 Unilever Iran P.J.S.C  
 Unilever Magyarorszang KFT

**Other Related parties with whom the Company had transaction etc.**

|  |   |  |
|--|---|--|
| (ii) <b>Joint Ventures</b>   | : | Kimberly Clark Lever Pvt. Ltd.<br>Quest International India Limited (Upto 31st May, 2006)  |
| (iii) <b>Associate</b>   | : | Vashisti Detergents Limited (Upto 31st December, 2005)<br>Unilever India Shared Service Ltd. (From 11th October, 2006)   |
| (iv) <b>Key Management Personnel</b>                                     | : | H. Manwani<br>Douglas Baillie (from 1st March, 2006)<br>M.S. Banga (Upto 30th June, 2005)<br>M.K.Sharma<br>D. Sundaram<br>S. Ravindranath<br>A. Adhikari (Upto 28th February, 2006)<br>A. K.Mathur<br>D. Buch (from March, 2006)<br>N. Paranjpe (from March, 2006)<br>S. Dube (from March, 2006)<br>J.H. Mehta (Upto March, 2005)<br>S.K. Dhall (Upto March, 2005) |
| (v) <b>Employees' Benefit Plans where there is significant influence</b> | : | Hindustan Lever Gratuity Fund<br>The Union Provident Fund<br>The Hind Lever Provident Fund<br>The Hind Lever Pension Fund<br>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, 2006**

|                                  |   | <b>2006</b>      | 2005      |
|----------------------------------|---|------------------|-----------|
|                                  |   | <b>Rs. lakhs</b> | Rs. lakhs |
| (i) <b>Holding Company</b>       | :   |                  |           |
|                                  | Dividend paid                                     | <b>437,14.37</b> | 397,40.34 |
|                                  | Royalty paid                                      | <b>70,66.90</b>  | 62,11.45  |
|                                  | Interest on 9% Debentures                         | —                | 11.94     |
|                                  | Income from services rendered                     | <b>145,31.87</b> | 121,21.33 |
| Outstanding balances :           |   |                  |           |
| - Receivables at the year end    | <b>37,83.46</b>                                   | 34,24.25         |           |
| (ii) <b>Subsidiaries</b>         | :   |                  |           |
|                                  | Sale of finished goods / raw materials etc.       | <b>23,17.85</b>  | 43,72.47  |
|                                  | Sale of fixed assets                              | <b>1,10.21</b>   | 4,78.13   |
|                                  | Sale of investments                               | —                | 17,59.42  |
|                                  | Royalty received                                  | —                | 58.99     |
|                                  | Expenses shared by subsidiary companies           | <b>1,53.85</b>   | 7,86.38   |
|                                  | Dividend received                                 | <b>11,50.87</b>  | 27,41.40  |
|                                  | Interest received                                 | <b>12,39.18</b>  | 10,03.47  |
|                                  | Rent received                                     | <b>54.00</b>     | 83.30     |
|                                  | Processing charges paid                           | <b>6,57.88</b>   | 5,40.51   |
|                                  | Purchase of Fixed Assets                          | —                | 2,17.60   |
|                                  | Purchase of goods                                 | <b>14,39.30</b>  | 16,51.15  |
|                                  | Purchase of investments                           | —                | 17,48.39  |
|                                  | Commitment Charges                                | <b>2,56.41</b>   | —         |
|                                  | Rent paid   | <b>81.14</b>     | 26.59     |
|                                  | Investment in equity shares                       | —                | 10,00.00  |
|                                  | Deposits - Outstanding receivable at the year end | <b>16,57.00</b>  | 16,57.00  |
|                                  | Advances and loans :                              |                  |           |
|                                  | - Receivables at the year end                     | <b>181,23.53</b> | 67,67.36  |
| - Payables at the year end       | —   | 2,15.67          |           |
| - Inter corporate deposits :     |   |                  |           |
| - Advanced during the year       | <b>131,03.00</b>                                  | 38,71.38         |           |
| - Repayments during the year     | <b>8,50.00</b>                                    | 4,00.00          |           |
| (iii) <b>Fellow Subsidiaries</b> | :   |                  |           |
|                                  | Sale of finished goods / raw materials etc.       | <b>710,70.81</b> | 653,67.54 |
|                                  | Sale of fixed assets                              | <b>1,75.56</b>   | —         |
|                                  | Rent Received                                     | <b>1,10.00</b>   | 1,10.00   |
|                                  | Income from services rendered                     | <b>8,21.71</b>   | 9,08.53   |
|                                  | Expenses shared by a fellow subsidiary (Other)    | <b>6.00</b>      | 6.00      |
|                                  | Purchase of goods                                 | <b>69,22.30</b>  | 48,18.84  |
| Dividend paid                    | <b>187,02.35</b>                                  | 170,02.14        |           |
| Royalty paid                     | <b>1,64.16</b>                                    | 1,71.77          |           |

**Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2006 (Contd...)**

**Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2006**

|  |  | 2006      | 2005      |
|--|--|-----------|-----------|
|  |  | Rs. lakhs | Rs. lakhs |
|  | Purchase of Fixed Assets   | 2.18      | —         |
|  | Interest on 9% Debentures  | —         | 5.11      |
|  | Advances and loans :   |           |           |
|  | - Receivables  | 194,63.32 | 159,95.06 |
|  | - Payables   | 7,74.82   | 18,59.92  |
| (iv)   | <b>Joint Ventures</b> :  |           |           |
|  | Purchase of goods  | 135,83.15 | 121,41.28 |
|  | Other income   | 3,34.82   | 1,43.86   |
|  | Dividend received  | 3,62.50   | —         |
|  | Advances and loans :   |           |           |
|  | - Payables   | 1,16.49   | 86.11     |
| (v)  | <b>Associate *</b> :   |           |           |
|  | Processing charges paid  | —         | 9,00.46   |
|  | Outstanding receivable at the year end                                 | 85.12     | 19.27     |
|  | Sale of goods  | —         | 4,83.50   |
|  | Purchase of goods  | —         | 14,71.47  |
| * For transactions with associate relating to amalgamation (refer Note 14) |  |           |           |
| (vi)   | <b>Key Management Personnel</b> :                                      |           |           |
|  | Remuneration   | 13,49.43  | 8,45.83   |
|  | Rent paid  | 39.49     | 59.07     |
|  | Dividend paid  | 9.58      | 9.24      |
|  | Interest on 9% Debentures  | —         | 0.01      |
|  | Sale of fixed asset  | 11,80.00  | —         |
|  | Loans - Outstanding at the year end                                    | —         | 0.10      |
|  | - Repayments (including interest) during the year                      | 0.10      | —         |
| (vii)  | <b>Employees' Benefit Plans where there is significant influence</b> : |           |           |
|  | Contributions during the year  | 30,54.19  | 24,64.81  |
|  | Outstanding payables at the year end                                   | 11.91     | 1,02.35   |
|  | Outstanding receivables at the year end                                | 16,24.48  | 6,56.85   |

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

|  |                                       | 2006      | 2005      |
|--|---------------------------------------|-----------|-----------|
|  |                                       | Rs. lakhs | Rs. lakhs |
| <b>Sale of finished goods / raw materials etc.</b>                           |                                       |           |           |
|  | Unilever Gulf Free Zone Establishment | 226,64.15 | 279,88.53 |
| <b>Sale of fixed assets</b>  |                                       |           |           |
|  | Unilever UK Foods - Manchester        | 1,75.56   | —         |
|  | H. Manwani                            | 11,80.00  | —         |
| <b>Sale of investments</b>   |                                       |           |           |
|  | Lever India Exports Limited           | —         | 17,59.42  |
| <b>Royalty received</b>  |                                       |           |           |
|  | Unilever India Exports Limited        | —         | 58.99     |
| <b>Expenses shared by subsidiary Companies / fellow subsidiary companies</b> |                                       |           |           |
|  | Unilever India Exports Limited        | 51.22     | 6,62.77   |
|  | Ponds Exports Limited                 | 1,02.63   | 99.11     |
| <b>Dividend received</b>   |                                       |           |           |
|  | Lever India Exports Ltd.              | —         | 9,00.00   |
|  | Unilever Nepal Limited                | 11,50.87  | 18,41.40  |
|  | Kimberly Clark Lever Ltd.             | 3,62.50   | —         |
| <b>Interest received</b>   |                                       |           |           |
|  | Modern Food Industries (India) Ltd.   | 10,25.19  | 3,77.27   |
|  | Doom Dooma Tea Company Limited        | —         | 2,63.17   |
|  | Tea Estates India Limited             | —         | 2,50.03   |
| <b>Rent received</b>   |                                       |           |           |
|  | Unilever Industries Pvt. Ltd.         | 1,10.00   | 1,10.00   |
|  | Unilever India Exports Limited        | 54.00     | 54.00     |
|  | Bon Limited                           | —         | 28.55     |
| <b>Processing charges paid</b>   |                                       |           |           |
|  | Bon Limited                           | 6,41.61   | 5,24.27   |
|  | Vashisti Detergents Ltd.              | —         | 9,00.46   |
| <b>Purchase of fixed assets</b>  |                                       |           |           |
|  | Doom Dooma Tea Company Limited        | —         | 2,17.60   |
|  | Unilever Best Foods Ltd, UK           | 2.18      | —         |

**Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2006 (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.**

|   | <b>2006</b>      | 2005      |
|---|------------------|-----------|
|   | <b>Rs. lakhs</b> | Rs. lakhs |
| <b>Purchase of goods</b>  |                  |           |
| Kimberly Clark Lever Pvt. Ltd.  | <b>124,79.81</b> | 106,36.34 |
| Lipton Ltd.   | —                | 25,59.66  |
| Unilever Deutschland GmbH   | <b>30,17.99</b>  | —         |
| <b>Purchase of investments</b>  |                  |           |
| Tea Estates India Limited   | —                | 17,48.39  |
| <b>Commitment Charges Paid</b>  |                  |           |
| Unilever Nepal Ltd.   | <b>2,56.41</b>   | —         |
| <b>Rent paid</b>  |                  |           |
| M.S. Banga  | —                | 9.46      |
| M.K. Sharma   | —                | 22.50     |
| Bon Limited   | <b>81.14</b>     | 26.59     |
| <b>Investment in equity shares</b>  |                  |           |
| Bon Limited   | —                | 9,95.00   |
| <b>Deposits outstanding receivable at the year end</b>                                    |                  |           |
| Unilever India Exports Limited  | <b>16,57.00</b>  | 16,57.00  |
| <b>Inter corporate deposits - advanced during the year</b>                                |                  |           |
| Modern Food Industries (India) Ltd.   | <b>76,00.00</b>  | 23,80.00  |
| Daverashola Estates Private Ltd. (Formerly Hindustan Kwaliti Walls Foods Private Limited) | —                | 5,61.38   |
| Bon Ltd.  | <b>37,50.00</b>  | —         |
| <b>Inter corporate deposits - repayments during the year</b>                              |                  |           |
| Modern Food Industries (India) Ltd.   | —                | 2,00.00   |
| Doom Dooma Tea Company Limited  | —                | 2,00.00   |
| Unilever India Shared Services Ltd.   | <b>8,50.00</b>   | —         |
| <b>Other income</b>   |                  |           |
| Kimberly Clark Lever Pvt. Ltd.  | <b>3,34.82</b>   | 1,43.86   |
| <b>Dividend paid</b>  |                  |           |
| Unilever PLC  | <b>437,14.37</b> | 397,40.34 |
| <b>Royalty paid</b>   |                  |           |
| <b>Unilever PLC</b>   | <b>70,66.90</b>  | 62,11.45  |
| <b>Interest on 9% Debentures</b>  |                  |           |
| Unilever PLC  | —                | 11.94     |
| <b>Outstanding balances - payables at the year end</b>                                    |                  |           |
| Lipton Ltd.   | <b>3,76.88</b>   | 3,55.71   |
| Unilever U.K. Central Resources Ltd.  | <b>2,46.12</b>   | 1,36.10   |
| Unilever India Exports Limited  | —                | 1,97.35   |
| Digital Securities Private Limited  | —                | 1,61.19   |
| Elida Faberge Ltd.  | <b>1,02.74</b>   | —         |
| Kimberly Clark Lever Ltd.   | <b>1,16.49</b>   | —         |
| <b>Outstanding balances - receivables at the year end</b>                                 |                  |           |
| Unilever Gulf Free Zone Establishment   | <b>53,37.72</b>  | 55,13.59  |
| Modern Food Industries (India) Ltd.   | <b>106,48.54</b> | —         |
| <b>Income from services rendered</b>  |                  |           |
| Unilever PLC  | <b>145,31.87</b> | 121,21.33 |
| <b>Remuneration</b>   |                  |           |
| Douglas Baillie   | <b>4,59.07</b>   | —         |
| M.K. Sharma   | <b>2,00.84</b>   | 1,69.59   |
| A. Adhikari   | —                | 1,17.29   |
| S. Ravindranath   | <b>1,45.27</b>   | 1,27.74   |
| D. Sundaram   | <b>1,57.92</b>   | 1,40.03   |
| D. Sehgal   | —                | 88.97     |
| <b>Contributions during the year</b>  |                  |           |
| The Union Provident Fund  | <b>5,09.82</b>   | 4,57.02   |
| The Hind Lever Pension Fund   | <b>13,79.83</b>  | 10,48.98  |
| Hind Lever Provident Fund   | <b>11,40.94</b>  | 9,58.81   |

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

|  |            |   |            |
|--|------------|---|------------|
| <b>I. REGISTRATION DETAILS</b>   |            | <b>IV. PERFORMANCE OF COMPANY<br/>(AMOUNT IN RS. THOUSANDS)</b>   |            |
| Registration No.   | 11-2030    | Turnover (Total Income)   | 124579011  |
| State Code   | 11         | Total Expenditure   | (10596202) |
| Balance Sheet Date   | 31.12.2006 | Profit/(Loss) Before Tax and Exceptional Items  | 18616809   |
| <b>II. CAPITAL RAISED DURING THE YEAR<br/>(AMOUNT IN RS. THOUSANDS)</b>                    |            | Profit/(Loss) After Tax and Exceptional Items   | 18553734   |
| Public Issue   | NIL        | Earnings Per Share (in Rs.)   | 8.41       |
| Rights Issue   | NIL        | Dividend Rate (%)   | 600        |
| Bonus Issue  | NIL        |   |            |
| Private Placement  | NIL        | <b>V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES<br/>OF THE COMPANY (AS PER MONETARY TERMS)</b> |            |
| <b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS<br/>(AMOUNT IN RS. THOUSANDS)</b> |            | Item Code No. (ITC Code)  | 34.01      |
| Total Liabilities  | 74800214   | Product Description   | SOAP       |
| Total Assets   | 74800214   | Item Code No. (ITC Code)  | 34.02      |
| <b>SOURCES OF FUNDS</b>  |            | Product Description   | DETERGENTS |
| Paid-up Capital  | 2206776    | Item Code No. (ITC Code)  | 09.02      |
| Reserves and Surplus   | 25028051   | Product Description   | TEA        |
| Secured Loans  | 371290     |   |            |
| Unsecured Loans  | 354740     |   |            |
| <b>APPLICATION OF FUNDS</b>  |            |   |            |
| Net Fixed Assets   | 15110089   |   |            |
| Investments  | 24139315   |   |            |
| Net Current Assets   | (13534017) |   |            |
| Deferred Tax   | 2245470    |   |            |
| 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 2006 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 require by the Companies (Auditors' 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 paragraphs 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 the 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 representation received from the directors, as on 31st December 2006, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st December, 2006 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, 2006;
      - (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, 20th February, 2007

## 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, 2006]**

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 programmes, 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 regards to the explanation 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 examinations 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 weakness 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 Section 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, 2006 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<br>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  | 27,80.92  | 1982, 1987                                   | Appellate Authority – upto Commissioner’s level<br>Tribunal                |
|   |  | 36,68.82  | 1989 to 1994<br>1996 to 2006                 |  |
|   |  | 1.75  | 1983 to 1986<br>1989 to 1991<br>1994 to 2006 | High Court<br>Supreme Court  |
|   |  | 22.54   | 1998 to 1999<br>1979 to 1983                 |  |
| Central Sales Tax Act and Local Sales Tax Acts (including works contract) | Sales tax including interest and penalty, as applicable    | 93,70.09  | 1976, 1977<br>1982 to 2005                   | Appellate Authority – upto Commissioner’s level<br>Tribunal<br>High Courts |
|   |  | 45,41.05  | 1982 to 2005                                 |  |
|   |  | 49,40.65  | 1982 to 1986<br>1988 to 2005                 |  |
| Customs Act, 1962   | Customs duty including interest and penalty, as applicable | 7,32.46   | 1992 to 2001                                 | Appellate Authority – upto Commissioner’s level<br>Tribunal                |
|   |  | 7.44  | 1994   |  |
| Income-tax Act, 1961  | Income tax including interest and penalty, as applicable   | 11,40.23  | 1979-80<br>1995-96<br>2004-05                | Appellate Authority – upto Commissioner’s level<br>Tribunal                |
|   |  | 1,07.59   | 1985-1986<br>1991-1992                       |  |
|   |  | 31.55   | 1988-1989                                    | High Court   |

10. The Company has no accumulated losses as at 31st December, 2006 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 repayments of dues to any financial institutions or banks 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 fund benefit/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. The Company has not issued any debentures during the year.
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 instances 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 : 20th February, 2007

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 8.90% for 2006 (5.10% for 2005) 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 7.65% for 2006)

(+)

Market risk premium (taken at 9%) (x) Beta variant for the Company, (taken at 0.97) 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 = 7.65% + 9% (x) 0.97 = 16.38%

### 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 :

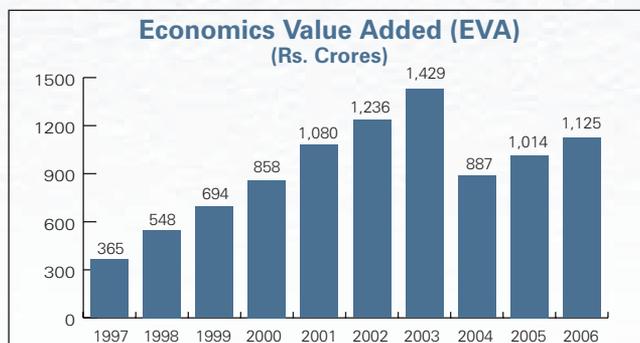
- Operating profits can be made to grow without employing more capital, i.e. greater efficiency.
- Additional capital is invested in projects that return more than the cost of obtaining new capital, i.e. profitable growth.
- Capital is curtailed in activities that do not cover the cost of capital, i.e. 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 : 1997-2006 (Unaudited)

| (Rs. crores)                                  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006         |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| <b>Cost of Capital Employed (COCE)</b>        |       |       |       |       |       |       |       |       |       |              |
| 1. Average Debt                               | 160   | 165   | 162   | 93    | 50    | 45    | 881   | 1588  | 360   | <b>163</b>   |
| 2. Average Equity                             | 1127  | 1487  | 1908  | 2296  | 2766  | 3351  | 2899  | 2116  | 2200  | <b>2515</b>  |
| 3. Average Capital Employed : (1) + (2)       | 1287  | 1652  | 2070  | 2389  | 2816  | 3396  | 3780  | 3704  | 2560  | <b>2677</b>  |
| 4. Cost of Debt, post-tax %                   | 8.82  | 9.10  | 8.61  | 8.46  | 7.72  | 6.45  | 4.88  | 5.19  | 3.38  | <b>5.90</b>  |
| 5. Cost of Equity %                           | 19.70 | 19.70 | 19.70 | 19.70 | 16.70 | 14.40 | 12.95 | 14.77 | 15.50 | <b>16.38</b> |
| 6. Weighted Average Cost of Capital % (WACC)  | 18.34 | 18.64 | 18.83 | 19.27 | 16.54 | 14.30 | 11.07 | 10.66 | 13.80 | <b>15.74</b> |
| 7. COCE : (3) x (6)                           | 236   | 308   | 390   | 460   | 466   | 486   | 418   | 395   | 353   | <b>421</b>   |
| <b>Economic Value Added (EVA)</b>             |       |       |       |       |       |       |       |       |       |              |
| 8. Profit after tax, before exceptional items | 580   | 837   | 1070  | 1310  | 1541  | 1716  | 1804  | 1199  | 1355  | <b>1540</b>  |
| 9. Add : Interest, after taxes                | 21    | 19    | 14    | 8     | 5     | 6     | 43    | 82    | 12    | <b>7</b>     |
| 10. Net Operating Profits After Taxes (NOPAT) | 601   | 856   | 1084  | 1318  | 1546  | 1722  | 1847  | 1282  | 1367  | <b>1547</b>  |
| 11. COCE, as per (7) above                    | 236   | 308   | 390   | 460   | 466   | 486   | 418   | 395   | 353   | <b>421</b>   |
| 12. EVA : (10) - (11)                         | 365   | 548   | 694   | 858   | 1080  | 1236  | 1429  | 887   | 1014  | <b>1125</b>  |



## 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.

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) Intersegment 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, 2006

*Figures in brackets represent deductions*

|   | Notes     | 2006<br>Rs. lakhs    | 2005<br>Rs. lakhs    |
|---|-----------|----------------------|----------------------|
| <b>INCOME</b>   |           |                      |                      |
| Sales   | 1         | 12410,97.61          | 11565,82.60          |
| Other income  | 2         | 392,91.88            | 312,06.56            |
| Total   |           | <u>12803,89.49</u>   | <u>11877,89.16</u>   |
| <b>EXPENDITURE</b>  |           |                      |                      |
| Operating expenses  | 3 - 5     | (10798,90.83)        | (10128,14.83)        |
| Depreciation  |           | (135,66.61)          | (138,37.52)          |
| Interest  | 6         | (13,96.66)           | (24,20.56)           |
| Total   |           | <u>(10948,54.10)</u> | <u>(10290,72.91)</u> |
| <b>PROFIT BEFORE TAXATION, EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES PROFIT</b>   |           |                      |                      |
|   |           | <b>1855,35.39</b>    | 1587,16.25           |
| Taxation for the year   |           |                      |                      |
| – current tax   | 9         | (272,95.38)          | (237,61.44)          |
| – deferred tax  |           | (22,81.79)           | (41,39.52)           |
| – fringe benefit tax  |           | (35,97.31)           | (31,34.29)           |
| – adjustments of previous years (net)   | 19        | (46.02)              | 46,01.60             |
| <b>PROFIT AFTER TAXATION, BEFORE EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES PROFIT</b>   |           |                      |                      |
|   |           | <b>1523,14.89</b>    | 1322,82.60           |
| Exceptional items (net of tax)  | 13        | 370,49.75            | 37,39.84             |
| <b>PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE SHARE OF ASSOCIATES' PROFIT</b>  |           |                      |                      |
|   |           | <b>1893,64.64</b>    | 1360,22.44           |
| Share of Associates' net profit / (loss)  |           | 51.35                | (1,64.22)            |
| <b>PROFIT BEFORE MINORITY INTERESTS</b>   |           |                      |                      |
|   |           | <b>1894,15.99</b>    | 1358,58.22           |
| <b>Minority Interests</b>   |           | <b>(3,63.39)</b>     | (2,65.71)            |
| <b>NET PROFIT</b>   |           |                      |                      |
|   |           | <b>1890,52.60</b>    | 1355,92.51           |
| Balance brought forward   |           | 452,12.49            | 498,44.62            |
| <b>Available for distribution</b>   |           | <b>2342,65.09</b>    | 1854,37.13           |
| <b>Dividends :</b>  |           |                      |                      |
| On equity shares:   |           |                      |                      |
| Interim - Rs. 3.00 per share - declared on 30th July, 2006  |           |                      |                      |
|   |           | (661,72.23)          | (550,31.09)          |
| Interim and Final dividend of 2005 paid to the shareholders of the erstwhile Vashisti Detergents Limited (Refer note 14 (i))  |           |                      |                      |
|   |           | (1,72.31)            | —                    |
| Final - Rs. 3.00 per share - declared on 20th February, 2007  |           |                      |                      |
|   |           | (662,03.28)          | (550,31.09)          |
| Tax on distributed profits (includes tax paid on distribution of Interim and Final dividend to the shareholders of the erstwhile Vashisti Detergents Limited. (Refer note 14 (i)) |           |                      |                      |
|   |           | (185,89.83)          | (159,62.46)          |
| Transfer to General Reserve   |           |                      |                      |
|   |           | (191,00.00)          | (142,00.00)          |
| <b>Balance carried forward</b>  |           | <b>640,27.44</b>     | 452,12.49            |
| <b>Earnings Per Share (Rs.) - Basic &amp; Diluted (Face value of Re.1 each)</b>   | <b>16</b> | <b>8.57</b>          | 6.16                 |

For notes, statements, additional information, segment information, related party disclosures and accounting policies  
See pages : 89, 93, 94 and 112 to 117

Signatures to pages : 89, 90, 93, 94,  
112 to 117

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 : 20th February, 2007

Douglas Baillie  
D. Sundaram  
Raju Thomas  
Ashok Gupta

Managing Director and CEO  
Finance Director  
Vice President - Finance  
Company Secretary

Mumbai : 20th February, 2007

## Balance Sheet as at 31st December, 2006

Figures in brackets represent deductions

|   | Schedule | 2006<br>Rs. lakhs   | 2005<br>Rs. lakhs |
|---|----------|---------------------|-------------------|
| <b>SOURCES OF FUNDS</b>                   |          |                     |                   |
| <b>Shareholders' funds</b>                |          |                     |                   |
| Capital                                   | 1        | 220,67.76           | 220,12.44         |
| Reserves and surplus                      | 2        | 2402,79.90          | 1949,36.38        |
|   |          | <b>2623,47.66</b>   | 2169,48.82        |
|   |          | <b>4,69.16</b>      | 3,93.49           |
| <b>Minority Interests</b>                 |          |                     |                   |
| <b>Loan funds</b>                         |          |                     |                   |
| Secured loans                             | 3        | 53,37.58            | 41,23.02          |
| Unsecured loans                           | 4        | 39,11.17            | 77,41.78          |
|   |          | <b>92,48.75</b>     | 118,64.80         |
|   |          | <b>2720,65.57</b>   | 2292,07.11        |
| <b>APPLICATION OF FUNDS</b>               |          |                     |                   |
| <b>Fixed assets</b>                       |          |                     |                   |
| Gross block                               |          | 2697,48.25          | 2705,06.97        |
| Depreciation and impairment loss          |          | (1228,41.80)        | (1191,81.67)      |
| Net block                                 | 5        | 1469,06.45          | 1513,25.30        |
| Capital work-in-progress                  |          | 116,11.34           | 107,25.32         |
|   |          | <b>1585,17.79</b>   | 1620,50.62        |
| <b>Investments</b>                        |          |                     |                   |
|   | 6        | <b>2352,32.87</b>   | 1821,60.30        |
| <b>Deferred Tax</b>                       |          |                     |                   |
| Deferred Tax Assets                       | 7        | 391,36.92           | 338,27.75         |
| Deferred Tax Liabilities                  | 8        | (164,13.43)         | (128,71.82)       |
|   |          | <b>227,23.49</b>    | 209,55.93         |
| <b>Current assets, loans and advances</b> |          |                     |                   |
| Inventories                               | 9        | 1604,36.93          | 1391,76.60        |
| Sundry debtors                            | 10       | 480,39.39           | 579,65.96         |
| Cash and bank balances                    | 11       | 460,90.03           | 419,84.64         |
| Other current assets                      | 12       | 22,56.34            | 20,35.96          |
| Loans and advances                        | 13       | 621,46.53           | 507,82.26         |
|   |          | <b>3189,69.22</b>   | 2919,45.42        |
| <b>Current liabilities and provisions</b> |          |                     |                   |
| Liabilities                               | 14       | (3280,67.59)        | (3091,32.80)      |
| Provisions                                | 15       | (1353,10.21)        | (1187,72.36)      |
|   |          | <b>(4633,77.80)</b> | (4279,05.16)      |
| <b>Net current assets</b>                 |          | <b>(1444,08.58)</b> | (1359,59.74)      |
|   |          | <b>2720,65.57</b>   | 2292,07.11        |

For schedules, contingent liabilities, additional information, segment information, related party disclosures and accounting policies  
See pages : 95 to 110 and 112 to 117

In terms of our report of even date

Sharmila A. Karve  
Partner  
Membership No. 43229

For and on behalf of  
**LOVELOCK & LEWIS**  
Chartered Accountants

Mumbai : 20th February, 2007

Signatures to pages : 91, 95 to 110 and  
112 to 117

Douglas Baillie  
D. Sundaram  
Raju Thomas  
Ashok Gupta

Managing Director and CEO  
Finance Director  
Vice President - Finance  
Company Secretary

Mumbai : 20th February, 2007

## Cash Flow Statement for the year ended 31st December, 2006

|  | 2006<br>Rs. lakhs   | 2005<br>Rs. lakhs |
|--|---------------------|-------------------|
| <b>A. Cash Flow from Operating Activities :</b>  |                     |                   |
| Profit before taxation and exceptional items   | <b>1855,35.41</b>   | 1587,16.25        |
| <i>Adjustments for :</i>   |                     |                   |
| Depreciation   | <b>135,66.61</b>    | 138,37.52         |
| Reversal of provision for losses on disposal of fixed assets   | <b>—</b>            | (1,92.80)         |
| Surplus on disposal of investments (net)<br>(Reversal of provision) / Provision for diminution in value of<br>investments and excess of cost over fair value of current<br>investments (net) | <b>(16,01.99)</b>   | (28,01.91)        |
| Deficit / (Surplus) on fixed assets sold, scrapped, etc. (net)   | <b>(1,75.11)</b>    | (1,10.46)         |
| Discounting charge for Employee stock option   | <b>(17,59.20)</b>   | (4,71.85)         |
| Interest income  | <b>3,03.78</b>      | 38.37             |
| Dividend income  | <b>(57,36.38)</b>   | (48,44.63)        |
| Interest expenditure   | <b>(70,96.83)</b>   | (54,10.86)        |
|  | <b>13,96.66</b>     | 24,20.56          |
|  | <b>(11,02.46)</b>   | 24,63.94          |
| Operating Profit before Working Capital Changes  | <b>1844,32.95</b>   | 1611,80.19        |
| <i>Adjustments for :</i>   |                     |                   |
| Trade and Other Receivables  | <b>(43,93.38)</b>   | 45,84.36          |
| Inventories  | <b>(223,32.13)</b>  | 165,63.49         |
| Trade Payables and Other Liabilities   | <b>366,96.41</b>    | 364,52.47         |
|  | <b>99,70.90</b>     | 576,00.32         |
| Cash generated from operations   | <b>1944,03.85</b>   | 2187,80.51        |
| Taxes paid (including fringe benefit tax) (net of refunds)   | <b>(455,86.03)</b>  | (193,47.34)       |
| <b>Cash flow before exceptional items</b>  | <b>1488,17.82</b>   | 1994,33.17        |
| Compensation under voluntary separation schemes.   | <b>(58,03.57)</b>   | (30,61.07)        |
| Amount received from LIC on commutation of receivables under annuity schemes   | <b>20,25.91</b>     | —                 |
| Amount paid on termination of sourcing agreement   | <b>—</b>            | (5,00.00)         |
| Consideration received on disposal of Nihar and Cococare Brands.   | <b>229,02.37</b>    | —                 |
| Sales tax paid on Brand Sale.  | <b>(8,03.36)</b>    | —                 |
| <b>Net Cash from Operating Activities. A</b>   | <b>1671,39.17</b>   | 1958,72.10        |
| <b>B. Cash Flow from Investing Activities :</b>  |                     |                   |
| Purchase of fixed assets   | <b>(166,92.15)</b>  | (241,28.40)       |
| Sale of fixed assets   | <b>47,84.98</b>     | 159,28.56         |
| Capital subsidy received   | <b>1,39.56</b>      | 5.00              |
| Purchase of investments  | <b>(9802,98.39)</b> | (7717,70.37)      |
| Sale of investments  | <b>9197,71.40</b>   | 8102,02.96        |
| Interest received  | <b>55,26.95</b>     | 73,19.51          |
| Dividend received  | <b>70,96.83</b>     | 54,10.86          |
| <b>Cash flow before exceptional items</b>  | <b>(596,70.82)</b>  | 429,68.12         |
| Sale of interest in joint ventures   | <b>54,02.00</b>     | —                 |
| Consideration received on sale of functionalised bio-polymers business   | <b>—</b>            | 4,15.00           |
| Sale proceeds of land included in exceptional items  | <b>—</b>            | 16,20.00          |
| Consideration received on disposal of long term investment   | <b>140,27.31</b>    | 50,68.51          |
| Consideration received on disposal of 51% share in a subsidiary company  | <b>52,09.51</b>     | —                 |
| Consideration received on disposal of subsidiary companies   | <b>106,24.65</b>    | 44,46.18          |
| <b>Net Cash used in Investing Activities. B</b>  | <b>(244,07.35)</b>  | 545,17.81         |
| <b>C. Cash Flow from Financing Activities :</b>  |                     |                   |
| Dividends paid   | <b>(1210,16.38)</b> | (1100,15.32)      |
| Tax on distributed profits   | <b>(170,22.94)</b>  | (154,36.23)       |
| Interest paid  | <b>(18,74.52)</b>   | (81,69.51)        |
| Bank overdrafts, etc. (net)  | <b>17,18.25</b>     | (2,67.34)         |
| Proceeds from borrowings   | <b>317,79.46</b>    | 569,93.15         |
| Repayments of debentures   | <b>—</b>            | (1320,74.63)      |
| Proceeds from share allotment under Employee Stock Option Scheme   | <b>33,92.25</b>     | —                 |
| Repayments of borrowings   | <b>(361,13.76)</b>  | (775,88.63)       |
| <b>Net Cash used in Financing Activities.....C</b>   | <b>(1391,37.64)</b> | (2865,58.50)      |
| <b>Net Increase / (Decrease) in Cash and Cash equivalents..... (A+B+C)</b>   | <b>35,94.18</b>     | (361,68.59)       |
| <b>Cash and Cash equivalents as at 1st January<br/>(Opening Balance)</b>   | <b>419,84.64</b>    | 781,53.23         |
| <b>Cash and Cash equivalents as at October, 2006 of Unilever India Shared Services Limited</b>   | <b>(1,52.21)</b>    | —                 |
| <b>Cash and Cash equivalents as at January, 2006 of Doom Dooma Tea Company Limited</b>   | <b>(87.56)</b>      | —                 |
| <b>Cash and Cash equivalents as at February, 2006 of Tea Estates India Limited</b>   | <b>(36.22)</b>      | —                 |
| <b>Cash and Cash equivalents as at January, 2006 of Vashisti Detergents Limited</b>  | <b>9,76.26</b>      | —                 |
| <b>Cash and Cash equivalents as at May, 2006 of Quest International India Limited</b>  | <b>(1,89.06)</b>    | —                 |
| <b>Cash and Cash equivalents as at 31st December<br/>(Closing Balance)</b>   | <b>460,90.03</b>    | 419,84.64         |

For notes

See page : 111

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 : 20th February, 2007

Signatures to pages : 92 and 111

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Ashok Gupta

Managing Director and CEO

Finance Director

Vice President - Finance

Company Secretary

Mumbai : 20th February, 2007

## Notes to Profit and Loss Account

|   | 2006<br>Rs. lakhs             | 2005<br>Rs. lakhs |
|---|-------------------------------|-------------------|
| <b>INCOME</b>   |                               |                   |
| <b>1. Sales</b>   | <b>13280,62.12</b>            | 12375,73.52       |
| Less : Excise duty  | <b>(932,35.24)</b>            | (918,66.74)       |
|   | <b>12348,26.88</b>            | 11457,06.78       |
| Share of Joint Ventures - Schedule 20 (b)   | <b>62,70.73</b>               | 108,75.82         |
|   | <b>12410,97.61</b>            | 11565,82.60       |
| Sales include duty drawback and licence premium on exports  | <b>22,25.45</b>               | 19,61.66          |
| <b>2. Other income</b>  | <b>200,80.66</b>              | 153,70.25         |
| Income from services rendered   | —                             | 1,93.91           |
| Income from property development activity   | <b>36,24.86</b>               | 24,19.02          |
| Interest income – bank and other accounts (gross)   | <b>18,42.87</b>               | 20,72.63          |
| Interest income – non trade (gross) (Note 7)  | <b>13,44.12</b>               | 19,45.80          |
| Dividend income – trade - long-term (gross)   | <b>92.72</b>                  | 96.93             |
| Dividend income – non trade - long-term (gross)   | <b>56,59.86</b>               | 33,59.13          |
| Dividend income – non trade - current (gross)   | <b>16,01.99</b>               | 28,01.91          |
| Surplus on disposal of investments (net) (Note 8)   | <b>17,58.84</b>               | 4,71.85           |
| Surplus on fixed assets sold etc. (net)   | <b>29,82.87</b>               | 20,59.49          |
| Miscellaneous income  | <b>389,88.79</b>              | 307,90.92         |
| Share of Joint Ventures - Schedule 20 (b)   | <b>3,03.09</b>                | 4,15.64           |
|   | <b>392,91.88</b>              | 312,06.56         |
| <b>OPERATING EXPENSES</b>   |                               |                   |
| <b>3. Materials consumed and Purchase of goods</b>  | <b>3960,09.33</b>             | 3712,23.70        |
| Raw materials consumed  | <b>107,8,91.60</b>            | 983,63.93         |
| Packing materials consumed  | <b>1699,87.04</b>             | 1590,34.02        |
| Purchase of goods   | <b>4. General expenditure</b> |                   |
| Salaries, wages, bonus, etc.  | <b>595,71.81</b>              | 593,41.62         |
| Contribution to provident and other funds   | <b>42,90.76</b>               | 46,21.63          |
| Workmen and staff welfare expenses  | <b>49,83.53</b>               | 45,51.32          |
| Processing charges  | <b>135,32.14</b>              | 153,46.51         |
| Consumption of stores and spare parts   | <b>70,07.92</b>               | 65,45.62          |
| Repairs and maintenance   | <b>13,64.03</b>               | 13,46.32          |
| - Buildings   | <b>64,97.99</b>               | 55,96.72          |
| - Plant   | <b>8,97.60</b>                | 7,98.74           |
| - Others  | <b>193,06.78</b>              | 190,28.82         |
| Power, light, fuel and water  | <b>123,81.11</b>              | 95,97.15          |
| Rent  | <b>95,71.44</b>               | 153,08.38         |
| Rates and taxes   | <b>8,49.99</b>                | 8,10.07           |
| Insurance   | <b>1288,15.72</b>             | 1027,98.28        |
| Advertising and sales promotion   | <b>662,59.89</b>              | 590,41.29         |
| Carriage and freight  | <b>7,35.29</b>                | 9,01.37           |
| Agents' commission and brokerage  | <b>(16,68.97)</b>             | (6,04.93)         |
| Provision / (write back) for doubtful debts and advances (net)  | <b>149,31.04</b>              | 13267.44          |
| Travelling and motor car expenses   | <b>622,99.45</b>              | 511,43.50         |
| Miscellaneous expenses (Note 12)  |                               |                   |
| <b>5. Stocks</b>  | <b>30,98.02</b>               | 48,95.90          |
| Opening stocks : - Work-in-progress   | <b>91.82</b>                  | 1,09.07           |
| - Processed chemicals   | <b>552,56.60</b>              | 623,88.02         |
| - Finished goods  | <b>(36,31.76)</b>             | (30,98.02)        |
| Closing stocks : - Work-in-progress   | <b>(84.62)</b>                | (91.82)           |
| - Processed chemicals   | <b>(669,57.87)</b>            | (552,56.60)       |
| - Finished goods  | <b>13,96.63</b>               | (33,59.10)        |
| Excise Duty on Increase / (Decrease) of Finished goods  | <b>10746,84.31</b>            | 10036,48.95       |
| Share of Joint Ventures - Schedule 20 (b)   | <b>52,06.52</b>               | 91,65.88          |
|   | <b>10798,90.83</b>            | 10128,14.83       |
| <b>6.</b> Interest paid on bank and other accounts Rs. 13,95.78 lakhs (2005 - Rs. 23,86.35 lakhs), on debentures Rs. Nil lakhs (2005 - Rs. 33.00 lakhs) and the Share of Joint Ventures Rs. 0.88 lakhs (2005 - Rs. 1.21 lakhs).   |                               |                   |
| <b>7.</b> Interest received- non trade (gross) comprises of Rs. 15,13.62 lakhs (2005 - Rs. 16,15.83 lakhs) and Rs. 3,29.25 lakhs (2005 - Rs. 4,56.80 lakhs) in respect of long-term and current investments respectively.   |                               |                   |
| <b>8.</b> Surplus on disposal of investments (net) comprises of :<br>- a profit on disposal of current investments (net) Rs. 15,17.81 lakhs (2005 - Rs. 27,33.08 lakhs)<br>- a profit on disposal of long term investments (net) Rs. 84.18 lakhs (2005 - Rs. 68.83 lakhs)   |                               |                   |
| <b>9.</b> 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, 2006 and the provision based on the figures for the remaining nine months up to 31st December, 2006, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2006 to 31st March, 2007. The tax year for Unilever Nepal Limited is the year ending 15th July. |                               |                   |
| <b>10.</b> 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) credited to the Profit and Loss Account is Rs. 24.26 lakhs (2005 - debit of Rs. 4,75.64 lakhs).  |                               |                   |



## Schedules to Balance Sheet

|  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--|-------------------|-------------------|
| <b>1. CAPITAL</b>  |                   |                   |
| <b>Authorised</b>  |                   |                   |
| 2,25,00,00,000 equity shares of Re. 1 each   | <b>225,00.00</b>  | 225,00.00         |
| <b>Issued and subscribed</b>   |                   |                   |
| 2,20,67,76,097 (2005: 2,20,12,43,793) equity shares of Re. 1 each fully called and paid up   | <b>220,67.76</b>  | 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) 79,53,79,675 (2005: 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.                        |                   |                   |
|  | <b>220,67.76</b>  | 220,12.44         |

Hindustan Lever Limited has granted share options under the Company's Employees' Stock Option Scheme and share options outstanding as at 31st December, 2006 are 95,02,955 (2005 - 1,19,32,145). Of these 17,40,700 (2005 - 21,74,400) options have vested in 2004, 22,76,965 (2005-28,62,905) have vested in 2005, 26,30,540 (2005 - 38,51,990) have vested in 2006, 14,26,950 will vest in 2007 (2005 - 15,08,350) and 14,27,800 in 2008 (2005 - 15,34,500).

|   | Rs. lakhs                       |  |                  |                    |                                 |
|---|---------------------------------|--|------------------|--------------------|---------------------------------|
|   | As at<br>31st December,<br>2005 | Adjustments<br>on Amalgamation<br>[Note 14(i)] | Additions        | Deductions         | As at<br>31st December,<br>2006 |
| <b>CAPITAL RESERVES</b>                     |                                 |  |                  |                    |                                 |
| Capital Reserve                             | 4,24.34                         | —  | —                | (2.11)             | 4,22.23                         |
| Capital Subsidy                             | 3,35.66                         | 30.00  | 1,39.56          | —                  | 5,05.22                         |
| Capital Redemption Reserve                  | 1,15.00                         | —  | —                | —                  | 1,15.00                         |
| Share Premium Account                       | 263,26.13                       | —  | 35,25.72         | —                  | 298,51.85                       |
| Revaluation Reserve                         | 66.59                           | —  | —                | —                  | 66.59                           |
| Other Reserves (c)                          | 2,51.05                         | —  | —                | —                  | 2,51.05                         |
| Employee Stock Options (d)                  | 4,48.04                         | —  | 3,03.78          | (1,54.31)          | 5,97.51                         |
| Total Capital Reserves                      | 279,63.81                       | 30.00  | 39,69.06         | (1,56.42)          | 318,09.45                       |
| <b>REVENUE RESERVES</b>                     |                                 |  |                  |                    |                                 |
| Export Profit Reserve                       | 12,26.40                        | —  | —                | —                  | 12,26.40                        |
| Development Allowance Reserve               | 26.72                           | —  | —                | —                  | 26.72                           |
| General Reserve                             | 1205,03.96                      | (e) 35,85.93                                   | (a) 191,00.00    | —                  | 1431,89.89                      |
| Total Revenue Reserves                      | 1217,57.08                      | 35,85.93                                       | 191,00.00        | —                  | 1444,43.01                      |
| <b>PROFIT AND LOSS ACCOUNT BALANCE</b>      | 452,12.49                       | —  | (a) 640,27.44    | (b) (452,12.49)    | 640,27.44                       |
| <b>TOTAL RESERVES – 31st December, 2006</b> | <b>1949,36.38</b>               | <b>36,15.93</b>                                | <b>870,96.50</b> | <b>(453,68.91)</b> | <b>(f) 2402,79.90</b>           |
| TOTAL RESERVES – 31st December, 2005        | 1917,89.29                      | —  | 594,55.86        | (563,08.77)        | (f) 1949,36.38                  |

(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 Hindustan Lever Limited'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. In the current year, salaries, wages, bonus, etc. includes charge of Rs.303.78 lakhs (2005 - Rs. 38.37 lakhs), on account of discounting charge on Employees Stock Options.

|                                    | Rs. lakhs                       |           |            |                                 |
|------------------------------------|---------------------------------|-----------|------------|---------------------------------|
|                                    | As at<br>31st December,<br>2005 | Additions | Deductions | As at<br>31st December,<br>2006 |
| <b>Employee Stock Options</b>      |                                 |           |            |                                 |
| Employee Stock Options Outstanding | 4,48.04                         | —         | —          | 4,48.04                         |
| Add: Charge for the year           | —                               | 3,03.78   | —          | 3,03.78                         |
| Less : Transfer to share premium   | —                               | —         | (1,54.31)  | (1,54.31)                       |
| <b>Employee Stock Options</b>      | 4,48.04                         | 3,03.78   | (1,54.31)  | 5,97.51                         |

(e) Includes reserves of the companies merged with a Joint Venture during the year

(f) Including share of Joint Ventures Rs. 29,24.09 lakhs (2005 - Rs. 21,26.11 lakhs).

## Schedules to Balance Sheet

### 3. SECURED LOANS

|   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|---|-------------------|-------------------|
| Loans and Advances from Banks :                           |                   |                   |
| - Bank overdrafts   | 37,73.98          | 27,59.04          |
| Secured by hypothecation of stocks, book debts, etc.      |                   |                   |
| - Export Packing Credit                                   | 15,62.53          | 12,38.79          |
| Secured by a pari passu charge on certain current assets. |                   |                   |
| <b>Total</b>  | <b>53,36.51</b>   | <b>39,97.83</b>   |
| Share of Joint Ventures - Schedule 20 (b)                 | 1.07              | 1,25.19           |
|   | <b>53,37.58</b>   | <b>41,23.02</b>   |

### 4. UNSECURED LOANS

|  |                 |                 |
|--|-----------------|-----------------|
| Short-term loans & advances :  |                 |                 |
| From Banks   |                 |                 |
| - Export Packing Credit  | —               | 28,69.05        |
| - Overdrawn book balance on current account                              | 37,94.14        | 97.67           |
| - Term Loan  | —               | 44,00.00        |
| Other loans and advances   |                 |                 |
| - Other than from Banks  | 1,17.03         | 3,75.06         |
| (repayable before 31st December, 2007 - Rs. Nil; 2006 - Rs. 13.37 lakhs) |                 |                 |
|  | <b>39,11.17</b> | <b>77,41.78</b> |
| Share of Joint Ventures - Schedule 20 (b)                                | —               | —               |
|  | <b>39,11.17</b> | <b>77,41.78</b> |

### 5. FIXED ASSETS

Rs. lakhs

|  | GROSS BLOCK   |   |                  |                          |  | DEPRECIATION                       |  |                  |                                   |                          |                                    | NET BLOCK                          |                                    |                                    |
|--|---|---|------------------|--------------------------|--|------------------------------------|--|------------------|-----------------------------------|--------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | Cost/<br>Valuation<br>as at 31st<br>December,<br>2005 | Cost taken<br>over<br>consequent<br>to amalga-<br>mation<br>(Refer note<br>14(ii)<br>(c)) | Additions        | Deductions/<br>Transfers | Cost/<br>Valuation<br>as at<br>31st<br>December,<br>2006 | As at<br>31st<br>December,<br>2005 | Depreciation<br>taken over<br>consequent<br>to amalga-<br>mation<br>(Refer note<br>14(i))<br>(c) | Additions        | Adjustments<br>during the<br>year | Deductions/<br>Transfers | Impairment<br>Loss for<br>the year | As at<br>31st<br>December,<br>2006 | As at<br>31st<br>December,<br>2006 | As at<br>31st<br>December,<br>2005 |
| Goodwill on consolidation                  | 145,04.77   | —   | —                | (17,51.16)               | 127,53.61  | 145,04.77                          | —  | —                | —                                 | (17,51.16)               | —                                  | 127,53.61                          | —                                  | —                                  |
| Land - Freehold                            | 57,68.39  | 1.27  | 1,21.08          | (1,69.58)                | 57,21.16   | —                                  | —  | —                | —                                 | —                        | —                                  | 57,21.16                           | 57,68.39                           | —                                  |
| - Leasehold                                | 35,34.42  | 22.06   | —                | (0.19)                   | 35,56.29   | 2,57.38                            | 3.18   | 22.03            | —                                 | (0.16)                   | —                                  | 2,82.43                            | 32,73.86                           | 32,77.04                           |
| Buildings                                  | 627,84.48   | 14,98.12  | 16,37.06         | (28,23.66)               | 630,96.00  | 121,32.71                          | 5,09.80  | 16,19.34         | —                                 | (7,32.75)                | —                                  | 135,29.10                          | 495,66.90                          | 506,51.77                          |
| Railway sidings                            | 0.59  | —   | —                | —                        | 0.59   | 0.59                               | —  | —                | —                                 | —                        | —                                  | 0.59                               | —                                  | —                                  |
| Plant & machinery                          | 1364,37.43  | 54,12.36  | 113,31.60        | (59,53.12)               | 1472,28.27   | 571,25.24                          | 29,09.54   | 100,55.67        | —                                 | (23,15.12)               | —                                  | 677,75.33                          | 794,52.94                          | 793,12.19                          |
| Furniture, fittings & office equipment     | 201,49.92   | 1,80.25   | 11,17.99         | (44,72.29)               | 169,75.87  | 137,10.46                          | 1,11.43  | 11,58.29         | —                                 | (38,19.82)               | —                                  | 111,60.36                          | 58,15.51                           | 64,39.46                           |
| Trade marks                                | 165,49.11   | —   | —                | (20,64.08)               | 144,85.03  | 165,49.11                          | —  | —                | —                                 | (20,64.08)               | —                                  | 144,85.03                          | —                                  | —                                  |
| Goodwill                                   | 7,05.31   | —   | —                | (71.16)                  | 6,34.15  | 6,47.49                            | —  | 2.11             | —                                 | (15.45)                  | —                                  | 6,34.15                            | —                                  | 57.82                              |
| Software                                   | 7,76.68   | —   | 10,55.47         | —                        | 18,32.15   | 1,55.34                            | —  | 2,47.52          | —                                 | —                        | —                                  | 4,02.86                            | 14,29.29                           | 6,21.34                            |
| Motor vehicles                             | 31,41.74  | 6.20  | 1,07.93          | (16,97.98)               | 15,57.89   | 15,86.36                           | 6.20   | 3,36.24          | —                                 | (8,84.96)                | —                                  | 10,43.84                           | 5,14.05                            | 15,55.38                           |
| <b>Total</b>                               | <b>2643,52.84</b>                                     | <b>71,20.26</b>   | <b>153,71.13</b> | <b>(190,03.22)</b>       | <b>2678,41.01</b>  | <b>1166,69.45</b>                  | <b>35,40.15</b>  | <b>134,41.20</b> | —                                 | <b>(115,83.50)</b>       | —                                  | <b>1220,67.30</b>                  | <b>1457,73.71</b>                  | 1476,83.39                         |
| Share of Joint Ventures                    | 61,54.13  | 1,97.47   | 33.27            | (44,77.63)               | 19,07.24   | 25,12.22                           | 1,28.72  | 1,25.41          | —                                 | (19,91.85)               | —                                  | 7,74.50                            | 11,32.74                           | 36,41.91                           |
| Share of Joint Ventures - Schedule -20 (b) |   |   |                  |                          |  |                                    |  |                  |                                   |                          |                                    |                                    |                                    |                                    |
| <b>Total - 2006</b>                        | <b>2705,06.97</b>                                     | <b>73,17.73</b>   | <b>154,04.40</b> | <b>(234,80.85)</b>       | <b>2697,48.25</b>  | <b>1191,81.67</b>                  | <b>36,68.87</b>  | <b>135,66.61</b> | —                                 | <b>(135,75.35)</b>       | —                                  | <b>1228,41.80</b>                  | <b>1469,06.45</b>                  |                                    |
| 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)              | 3,843.96                           | 1191,81.67                         | 1513,25.30                         |                                    |

#### NOTES :

- Capital expenditure commitments - Rs.39,87.23 lakhs - (2005 - Rs.32,59.82 lakhs.)
- The title deeds of immovable properties aggregating Rs. 43,72.13 lakhs (2005 - Rs.43,81.22 lakhs), acquired on transfer of businesses / undertakings are in the process of being transferred in the name of the respective Companies.
- Taken over, pursuant to the Scheme of arrangement for amalgamation of Vashi Detergents Limited effective 1st July, 2005 and includes additions / deductions for the period 1st July, 2005 to 31st December, 2005.
- 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.

## Schedules to Balance Sheet

|  |   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--|---|-------------------|-------------------|
| <b>6. INVESTMENTS</b>  |   |                   |                   |
| (Long-term, Unquoted, unless otherwise stated)                             |   |                   |                   |
| <b>A. INVESTMENTS IN GOVERNMENT SECURITIES</b>                             |   |                   |                   |
|  |   | 1.14              | 1.14              |
|  | 7 Year National Savings Certificates - II Issue   | 2,12.14           | 2,28.83           |
|  | Government of India stock of the face value of Rs. 200.00 lakhs<br>(2005 - Rs. 2,03.24 lakhs) (Current Investments) (Quoted)  | 4,98.53           | 4,98.53           |
|  | Government Stocks/Bonds(Quoted)   | —                 | 128,59.77         |
|  | Treasury Bills of the face value of Rs. Nil<br>(2005 - Rs. 134,00.00 lakhs) (Rs. 5,00.00 lakhs purchased<br>during the year and Rs. 139,00.00 lakhs sold during the year) (Current Investments) | —                 | 0.12              |
|  | Share of Joint Ventures - Schedule - 20(b)  | —                 | —                 |
|  | <b>TOTAL - A</b>  | <b>7,11.81</b>    | <b>135,88.39</b>  |
| <b>B. TRADE INVESTMENTS AT COST</b>  |   |                   |                   |
| Vashisti Detergents Limited  | —   |                   |                   |
|  | (2005-1,69,04,140) Equity shares of Rs.10 each fully<br>paid (Quoted)   |                   |                   |
|  | Cost of acquisition including Goodwill of<br>Rs.719.60 Lacs   | 29,40.00          | 29,40.00          |
|  | Add:Group Share of Profit/(losses) upto 31.12.05  | (80.60)           | (80.60)           |
|  | Less: Reduction on account of amalgamation<br>[Refer note 14(i)]  | (28,59.40)        | —                 |
|  |   | —                 | 28,59.40          |
| Unilever India Shared Services Limited                                     | 2,450   |                   |                   |
|  | Equity shares of Rs.100 each fully paid   | 2.16              |                   |
|  | Add:Group Share of net assets as on<br>10th October '06   | 4,01.34           |                   |
|  | Add: Group Share of Profit/(losses) from 11th October<br>'06 to 31st December '06   | 51.35             | 4,54.85           |
|  |   | 4,54.85           | —                 |
| <b>In Other Companies</b>  |   |                   |                   |
| Tata Chemicals Limited   | 55,32,000   |                   |                   |
|  | (2005-1,19,32,000) Equity shares of Rs.10 each<br>fully paid (Quoted)   | 52,17.26          | 112,53.15         |
|  | (64,00,000 shares sold during the year)   |                   |                   |
| 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<br>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   | —   |                   |                   |
|  | (2005-38,32,000) Equity shares of Rs.10 each fully paid<br>(Sold during the year)   | —                 | 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              |
|  | Share of Joint Ventures- Schedule - 20(b)   | —                 | 62.52             |
|  | <b>TOTAL - B</b>  | <b>68,66.21</b>   | <b>158,70.88</b>  |
| <b>C. NON-TRADE INVESTMENTS AT COST<br/>SHARES, DEBENTURES &amp; BONDS</b> |   |                   |                   |
| 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<br>& Industry                               | 14  |                   |                   |
|  | 6 1/2% Non-redeemable Registered Debentures<br>(Face value Rs.0.14 lakh)  | 0.17              | 0.17              |
| Shillong Club Limited  | 56  |                   |                   |
|  | 5% Debentures of Rs.100 each (Cost Rs.Nil)  | —                 | —                 |
| Woodlands Hospital and<br>Medical Research Centre Limited                  | 1   |                   |                   |
|  | 5% Non-redeemable Registered Debenture stock<br>(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)   | —                 | —                 |
| 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              |
| Annamalais Ropeway Company Limited   | 1,150   |                   |                   |
|  | Ordinary shares of Rs.100 each fully paid (Cost Rs.Nil)   | —                 | —                 |
| Saraswat Co-operative Bank Limited   | 2,005   |                   |                   |
|  | Equity shares of Rs.10 each fully paid  | 0.20              | 0.20              |
| National Bank for Agriculture<br>and Rural Development                     | —   |                   |                   |
|  | (2005-15,500) 5.25% Capital Gains Bonds of Rs.10,000 each<br>(Redeemed during the year)   | —                 | 15,50.00          |
|  | 17,484 5.25% Capital Gains Bonds of Rs.10,000 each  | 17,48.39          | 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   | 87.00             | 87.00             |
|  | 72,000 5.40% Capital Gains Bonds of Rs.10,000 each  | 72,00.00          | 72,00.00          |
|  | 13,500 5.20% Capital Gains Bonds of Rs.10,000 each  | 13,50.00          | 13,50.00          |
|  | 2,000 5.42% Capital Gains Bonds of Rs.10,000 each   | 2,00.00           | 2,00.00           |
| National Housing Bank  | —   |                   |                   |
|  | (2005-50,000) 5.50% Capital Gains Bonds 2002 of Rs.10,000 each<br>(Redeemed during the year)  | —                 | 50,00.00          |
|  | 3,075 5.10% Capital Gains Bonds 2002 of Rs.10,000 each  | 3,07.50           | 3,07.50           |
|  | 15,500 (2005-Nil) 5.5% Capital Gains Bonds of Rs. 10,000/- each<br>(Purchased during the year)  | 15,50.00          | —                 |
| Rural Electrification Board  | 2,13,000  |                   |                   |
|  | 5.50% Capital Gains Bonds of Rs.10,000 each<br>(Purchased during the year)  | 213,00.00         | —                 |

Schedules to Balance Sheet

|  |  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |           |
|--|--|--|-------------------|-----------|
| <b>6.</b>                                | <b>INVESTMENTS (Contd...)</b>                  |  |                   |           |
|  | (Long-term, Unquoted, unless otherwise stated) |  |                   |           |
| <b>OTHERS</b>                            |  |  |                   |           |
| <b>Unit Trust of India</b>               | 48,77,837                                      | Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments) (Quoted)   | 48,90.03          | 50,04.54  |
|  | 5,000  | Master Gain '92 units of Rs.10 each  | 0.50              | 0.50      |
| <b>Certificates of Deposits of Banks</b> | —  | Face value of Rs. Nil (2005-Rs.160,00.00 lakhs) (Rs. 15,00.00 lakhs purchased during the year and Rs. 175,00.00 lakhs matured during the year) (Current Investments)   | —                 | 155,81.43 |
| <b>Prudential ICICI Mutual Fund</b>      | —  | (2005-1,00,00,000) Units Prudential ICICI Fixed Maturity Plan - Series 25 - Yearly Plan - December 05 - Dividend (1,67,131 Units cumulated, 1,01,67,131 Units sold during the year) (Current Investments)              | —                 | 10,00.00  |
|  | 1,00,00,000                                    | Units Prudential ICICI Fixed Maturity Plan - S 34 - 3 Months - Plan A - Dividend (1,00,00,000 Units Purchased during the year) (Current Investments)   | 10,00.00          | —         |
|  | 1,50,00,000                                    | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 1 Month - Plan D - Dividend (1,50,00,000 Units Purchased during the year) (Current Investments)   | 15,00.00          | —         |
|  | 4,00,00,000                                    | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months - Plan D - Dividend (4,00,00,000 Units Purchased during the year) (Current Investments)  | 40,00.00          | —         |
|  | 3,00,00,000                                    | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months - Plan E - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)  | 30,00.00          | —         |
|  | 4,00,00,000                                    | Units Prudential ICICI Fixed Maturity Plan - Series 28 - Institutional Plan - Growth (4,00,00,000 Units Purchased during the year) (Current Investments)   | 40,00.00          | —         |
|  | 94,02,266                                      | (2005-5,55,69,900) (Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (99,94,603 Units Purchased, 12,72,111 Units cumulated, 5,74,34,348 Units sold during the year) (Current Investments)                 | 9,40.24           | 55,56.99  |
|  | —  | (2005-1,46,00,399) Units Prudential ICICI Long Term Plan - Dividend (2,42,025 Units cumulated, 1,48,42,424 Units sold during the year) (Current Investments)   | —                 | 15,25.48  |
|  | 1,25,11,745                                    | (2005-1,25,11,745) Units Prudential ICICI Liquid - Institutional Plus - Growth (Current Investments)   | 21,00.00          | 21,00.00  |
|  | 10,78,11,931                                   | Units Prudential ICICI Liquid - Super Institutional Plan - Growth (10,78,11,931 Units Purchased during the year) (Current Investments)   | 11,3,00.00        | —         |
|  | 2,00,00,000                                    | Units Prudential ICICI Hybrid Fixed Maturity Plan 13 Months- Institutional Plan - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)   | 20,00.00          | —         |
|  | 9,45,734                                       | (2005-9,82,52,700) Units Prudential ICICI Liquid - Super Institutional Plan - Monthly Dividend (8,03,126 Units cumulated, 9,81,10,092 Units sold during the year) (Current Investments)                                | 94.68             | 98,27.41  |
|  | 4,35,21,743                                    | (2005-1,75,27,281) Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend (74,11,22,384 Units Purchased, 49,17,098 Units cumulated, 72,00,45,020 Units sold during the year) (Current Investments) | 43,53.90          | 17,53.58  |
|  | —  | (2005-78,12,927) Units Prudential ICICI Short Term Institutional Plan - Growth (78,12,927 Units sold during the year) (Current Investments)  | —                 | 10,00.12  |
|  | —  | (2005-2,30,41,603) Units Prudential ICICI Short Term Institutional Plan - Monthly Dividend (77,66,707 Units Purchased, 2,33,266 Units cumulated, 3,10,41,576 Units sold during the year) (Current Investments)         | —                 | 25,29.44  |
|  | —  | (2005-2,66,00,000) Units Prudential ICICI Fixed Maturity Plan - S 25 - Yearly Plan - December 05 - Dividend (4,44,567 Units cumulated, 2,70,44,567 Units sold during the year) (Current Investments)                   | —                 | 26,60.00  |
|  | —  | (2005-77,28,264) Units Prudential ICICI Floating Rate Fund - Plan D - Dividend (33,029 Units cumulated, 77,61,293 Units sold during the year) (Current Investments)  | —                 | 7,71.83   |
|  | —  | (2005-1,69,72,713) Units Prudential ICICI Liquid - Super Institutional Plan - Monthly Dividend 70,934 Units cumulated, 1,70,43,647 Units sold during the year) (Current Investments)                                   | —                 | 16,97.56  |
|  | —  | (2005-47,67,810) Units Prudential ICICI Liquid - Super Institutional Plan - Weekly Dividend 21,826 Units cumulated, 47,89,636 Units sold during the year) (Current Investments)  | —                 | 4,76.96   |
|  | —  | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 1 Month - Plan A - Dividend(1,50,00,000 Units Purchased, 79,650 Units cumulated, 1,50,79,650 Units sold during the year) (Current Investments)                | —                 | —         |
|  | —  | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months - Plan A - Dividend (4,00,00,000 Units Purchased, 5,22,179   | —                 | —         |

## Schedules to Balance Sheet

|                                      |  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--------------------------------------|--|-------------------|-------------------|
| <b>6.</b>                            | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)  |                   |                   |
|                                      | Units cumulated, 4,05,22,179 Units sold during the year)<br>(Current Investments)  |                   |                   |
| —                                    | Units Prudential ICICI Fixed Maturity Plan - Series 32 - 3 Months -<br>Plan C - Dividend (4,90,00,000 Units Purchased, 760,970<br>Units cumulated, 4,97,60,970 Units sold during the year)<br>(Current Investments)            | —                 | —                 |
| —                                    | Units Prudential ICICI Fixed Maturity Plan - Series 25 - Yearly Plan -<br>April 06 - Dividend (1,99,89,206 Units Purchased, 2,57,661 Units<br>cumulated, 2,02,46,867 Units sold during the year)<br>(Current Investments)      | —                 | —                 |
| —                                    | Units Prudential ICICI Fixed Maturity Plan - Series 24 - Yearly Plan -<br>Dividend (5,50,00,000 Units Purchased, 4,46,794 Units cumulated,<br>5,54,46,794 Units sold during the year) (Current Investments)                    | —                 | —                 |
| —                                    | Units Prudential ICICI Fixed Maturity Plan - Series 27 - Month Plan -<br>Dividend (6,00,00,000 Units Purchased, 10,23,000 Units cumulated,<br>6,10,23,000 Units sold during the year) (Current Investments)                    | —                 | —                 |
| —                                    | Units Prudential ICICI Fixed Maturity Plan - Series 28 - 4 Months Plan -<br>Dividend (1,20,00,000 Units Purchased, 2,00,008 Units cumulated,<br>1,22,00,008 Units sold during the year) (Current Investments)                  | —                 | —                 |
| —                                    | Units Prudential ICICI Floating Rate Fund - Plan D - Daily<br>Dividend (8,00,00,000 Units Purchased, 1,22,932 Units cumulated,<br>8,01,22,932 Units sold during the year) (Current Investments)                                | —                 | —                 |
| —                                    | Units Prudential ICICI Liquid - Super Institutional Plan - Daily<br>Dividend (51,62,50,000 Units Purchased, 5,55,478 Units<br>cumulated, 51,68,05,478 Units sold during the year)<br>(Current Investments)                     | —                 | —                 |
| —                                    | Units Prudential ICICI Short Term Institutional Plan - Forth Nightly<br>Dividend (5,45,49,693 Units Purchased, 4,10,539 Units cumulated,<br>5,49,60,232 Units sold during the year) (Current Investments)                      | —                 | —                 |
| —                                    | Units Prudential ICICI Liquid - Institutional Plus - Growth<br>(6,08,577 Units acquired on amalgamation (Refer note 14(i))<br>and sold during the year) (Current Investments)  | —                 | —                 |
| —                                    | Units Prudential ICICI Liquid - Institutional Plus - Monthly<br>Dividend (98,49,549 Units acquired on amalgamation [Refer<br>note 14(ii)] and sold during the year) (Current Investments)                                      | —                 | —                 |
| —                                    | Units Prudential ICICI Liquid - Institutional Plus - Weekly<br>Dividend (51,67,009 Units acquired on amalgamation (Refer<br>note 14(i)), 9,332 Units cumulated, 51,76,341 Units sold during<br>the year) (Current Investments) | —                 | —                 |
| <b>DSP Merrill Lynch Mutual Fund</b> | — (2005-1,50,00,000) Units DSP Merrill Lynch Fixed Term Plan -<br>Series 1 - Dividend (1,77,576 Units cumulated, 1,51,77,576<br>Units sold during the year) (Current Investments)  | —                 | 15,00.00          |
|                                      | — (2005-3,00,00,000) Units DSP Merrill Lynch Fixed Term Plan -<br>Series 1A - Dividend (3,84,613 Units cumulated, 3,03,84,613<br>Units sold during the year) (Current Investments)   | —                 | 30,00.00          |
|                                      | — (2005-2,42,965) Units DSP Merrill Lynch Liquidity Fund -<br>Institutional Plan - Weekly Dividend (32,57,990 Units Purchased,<br>43,950 Units cumulated, 35,44,905 Units sold during the year)<br>(Current Investments)       | —                 | 24,30.53          |
| 3,50,000                             | Units DSP Merrill Lynch Fixed Term Plan - Series 1F - Dividend<br>(3,50,000 Units Purchased during the year) (Current Investments)   | <b>35,00.00</b>   | —                 |
| 1,50,000                             | Units DSP Merrill Lynch Fixed Term Plan - Series 1G - Dividend<br>(1,50,000 Units Purchased during the year) (Current Investments)   | <b>15,00.00</b>   | —                 |
| 2,40,000                             | Units DSP Merrill Lynch Fixed Term Plan - Series 3A- Growth<br>(2,40,000 Units Purchased during the year) (Current Investments)  | <b>24,00.00</b>   | —                 |
| 1,11,636                             | Units DSP Merrill Lynch Liquid Plus Fund - Institutional<br>Plan - Daily Dividend (1,09,995 Units Purchased, 1,641 Units<br>cumulated during the year) (Current Investments)   | <b>11,16.58</b>   | —                 |
| 81,923                               | Units DSP Merrill Lynch Liquid Plus Fund - Institutional Plan -<br>Weekly Dividend (80,000 Units Purchased, 1,923 Units<br>cumulated during the year) (Current Investments)  | <b>8,19.22</b>    | —                 |
| 2,38,790                             | Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Growth<br>(2,38,790 Units Purchased during the year) (Current Investments)   | <b>25,00.00</b>   | —                 |
| —                                    | Units DSP Merrill Lynch Fixed Term Plan - Series 1B - Dividend<br>(2,70,000 Units Purchased, 4,255 Units cumulated, 2,74,255<br>Units sold during the year) (Current Investments)  | —                 | —                 |
| —                                    | Units DSP Merrill Lynch Fixed Term Plan - Series 1C - Dividend<br>(3,90,000 Units Purchased, 7,198 Units cumulated, 3,97,198<br>Units sold during the year) (Current Investments)  | —                 | —                 |
| —                                    | Units DSP Merrill Lynch Fixed Term Plan - Series 1D - Dividend<br>(1,20,000 Units Purchased, 1,659 Units cumulated, 1,21,659<br>Units sold during the year) (Current Investments)  | —                 | —                 |

Schedules to Balance Sheet

|                                       |  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|---------------------------------------|--|-------------------|-------------------|
| <b>6.</b>                             | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)  |                   |                   |
|                                       | — Units DSP Merrill Lynch Fixed Term Plan - Series 2 - Dividend (2,00,00,000 Units Purchased, 5,90,749 Units cumulated, 2,05,90,749 Units sold during the year) (Current Investments)  | —                 | —                 |
|                                       | — Units DSP Merrill Lynch Liquidity Fund - Institutional Plan - Daily Dividend (13,49,731 Units Purchased, 1,299 Units cumulated, 13,51,030 Units sold during the year) (Current Investments)  | —                 | —                 |
| <b>Standard Chartered Mutual Fund</b> | — (2005-4,43,98,133) Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (1,78,898 Units cumulated, 4,45,77,031 Units sold during the year) (Current Investments)   | —                 | 44,40.48          |
|                                       | — (2005-1,08,76,476) Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Weekly Dividend (8,16,77,263 Units Purchased, 3,77,639 Units cumulated, 9,29,31,378 Units sold during the year) (Current Investments)                           | —                 | 10,87.65          |
|                                       | — (2005-2,05,12,561) Units Grindlays Floating Rate Fund - Short Term Plan - Plan C - Super Institutional Plan - Monthly Dividend (1,54,106 Units cumulated, 2,06,66,667 Units sold during the year) (Current Investments)                            | —                 | 20,54.33          |
|                                       | — (2005-2,00,00,000) Units Grindlays Fixed Maturity Plan - 17 - Plan A - Dividend (2,37,200 Units cumulated, 2,02,37,200 Units sold during the year) (Current Investments)   | —                 | 20,00.00          |
|                                       | — (2005-1,50,00,000) Units Grindlays Fixed Maturity Plan - AP4 - Institutional Plan - Plan B - Growth (1,50,00,000 Units sold during the year) (Current Investments)   | —                 | 15,00.00          |
|                                       | — (2005-2,62,19,239) Units Grindlays Super Saver Income Fund - Short Term - Plan C - Super Institutional Plan - Monthly Dividend (99,10,018 Units Purchased, 2,01,659 Units cumulated, 3,63,30,916 Units sold during the year) (Current Investments) | —                 | 26,24.55          |
|                                       | — (2005-41,18,522) Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Monthly Dividend (16,596 Units cumulated, 41,35,118 Units sold during the year) (Current Investments)   | —                 | 4,11.92           |
|                                       | — Units Grindlays Cash Fund - Plan C - Super Institutional Plan - Daily Dividend (13,92,58,667 Units Purchased, 68,193 Units cumulated, 13,93,26,860 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                       | — Units Grindlays Fixed Maturity Plan - 19 - Plan A - Dividend (2,00,00,000 Units Purchased, 2,75,329 Units cumulated, 2,02,75,329 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                       | — Units Grindlays Fixed Maturity Plan - 21 - Plan A - Dividend (3,00,00,000 Units Purchased, 4,32,197 Units cumulated, 3,04,32,197 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                       | 1,50,00,000 Units Grindlays Fixed Maturity Plan - 20 - Plan A - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)   | <b>15,00.00</b>   | —                 |
|                                       | 2,40,00,000 Units Grindlays Fixed Maturity Plan - 22 - Plan A - Growth (2,40,00,000 Units Purchased during the year) (Current Investments)   | <b>24,00.00</b>   | —                 |
|                                       | — Units Grindlays Super Saver Income Fund - Medium Term Plan - Plan A - Bimonthly Dividend (96,76,234 Units Purchased, 38,189 Units cumulated, 97,14,423 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                       | 1,50,00,000 Units Standard Chartered Fixed Maturity Plan - 2 - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)  | <b>15,00.00</b>   | —                 |
|                                       | — Units Standard Chartered Fixed Maturity Plan - 3 - Dividend (3,00,00,000 Units Purchased, 4,64,539 Units cumulated, 3,04,64,539 Units sold during the year) (Current Investments)  | —                 | —                 |
|                                       | — Units Standard Chartered Fixed Maturity Plan - 4 - Dividend (3,50,00,000 Units Purchased, 5,80,962 Units cumulated, 3,55,80,962 Units sold during the year) (Current Investments)  | —                 | —                 |
|                                       | — Units Standard Chartered Fixed Maturity Plan - 5 - Dividend (1,50,00,000 Units Purchased, 2,04,450 Units cumulated, 1,52,04,450 Units sold during the year) (Current Investments)  | —                 | —                 |
|                                       | — Units Standard Chartered Fixed Maturity Plan - 9 - Dividend (1,00,00,000 Units Purchased, 1,51,600 Units cumulated, 1,01,51,600 Units sold during the year) (Current Investments)  | —                 | —                 |
|                                       | 2,00,00,000 Units Standard Chartered Fixed Maturity Plan - Quarterly Series 1 - Dividend (2,00,00,000 Units Purchased during the year) (Current Investments)   | <b>20,00.00</b>   | —                 |
|                                       | 4,00,00,000 Units Standard Chartered Fixed Maturity Plan - Quarterly Series 2 - Dividend (4,00,00,000 Units Purchased during the year) (Current Investments)   | <b>40,00.00</b>   | —                 |
|                                       | 2,80,22,495 Units Standard Chartered Liquidity Manager Fund - Daily Dividend (28,34,73,153 Units Purchased, 4,48,791 Units cumulated, 25,58,99,449 Units sold during the year) (Current Investments)   | <b>28,02.53</b>   | —                 |

## Schedules to Balance Sheet

|                          |   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--------------------------|---|-------------------|-------------------|
| <b>6.</b>                | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)   |                   |                   |
|                          | — Units Standard Chartered Liquidity Manager Fund - Weekly Dividend (2,00,00,000 Units Purchased, 2,00,00,000 Units sold during the year) (Current Investments)   | —                 | —                 |
|                          | 38,812 Units Standard Chartered Liquidity Manager Fund Plus - Daily Dividend (33,89,662 Units Purchased, 4,133 Units cumulated, 33,54,983 Units sold during the year) (Current Investments)                         | 3,88.15           | —                 |
|                          | — Units Grindlays Cash Fund - Plan A - Weekly Dividend (10,494 Units acquired on amalgamation (Refer note 14(i)), 17 Units cumulated, 10,511 Units sold during the year) (Current Investments)                      | —                 | —                 |
| <b>HDFC Mutual Fund</b>  | 4,77,32,296 (2005-4,99,33,636 Units HDFC Cash Management Fund - Savings Plus - Dividend (3,09,49,952 Units Purchased, 17,76,153 Units cumulated, 3,49,27,445 Units sold during the year) (Current Investments)      | 47,82.19          | 50,02.45          |
|                          | 2,59,03,005 Units HDFC Cash Management Fund - Call Plan - Daily Dividend (2,58,95,306 Units Purchased, 7,699 Units cumulated during the year) (Current Investments)   | 27,00.80          | —                 |
|                          | 2,50,00,000 Units HDFC Fixed Maturity Plan - 13 Month - March 06 - Institutional Plan - Growth (2,50,00,000 Units Purchased during the year) (Current Investments)  | 25,00.00          | —                 |
|                          | 1,80,00,000 Units HDFC Fixed Maturity Plan - 16 Month - December 06 (2) - Institutional Plan - Growth (1,80,00,000 Units Purchased during the year) (Current Investments)   | 18,00.00          | —                 |
|                          | 5,00,00,000 Units HDFC Fixed Maturity Plan - 90D - December 06 (2) - Institutional Plan - Dividend (5,00,00,000 Units Purchased during the year) (Current Investments)  | 50,00.00          | —                 |
|                          | 2,50,00,000 Units HDFC Fixed Maturity Plan - 90D - November 06 (2) - Institutional Plan - Dividend (2,50,00,000 Units Purchased during the year) (Current Investments)  | 25,00.00          | —                 |
|                          | 1,74,13,473 Units HDFC Liquid Fund - Premium Plus Plan - Growth (1,74,13,473 Units Purchased during the year) (Current Investments)   | 25,00.00          | —                 |
|                          | 2,04,84,128 Units HDFC Liquid Fund - Premium Plus Plan - Weekly Dividend (3,22,02,850 Units Purchased, 3,82,810 Units cumulated, 1,21,01,532 Units sold during the year) (Current Investments)                      | 25,45.05          | —                 |
|                          | — Units HDFC Cash Management Fund - Savings Plan - Daily Dividend (4,32,47,716 Units Purchased, 12,394 Units cumulated, 4,32,60,110 Units sold during the year) (Current Investments)                               | —                 | —                 |
|                          | — Units HDFC Fixed Maturity Plan - 3 Month - June 06 (1) - Institutional - Dividend (2,00,00,000 Units Purchased, 2,79,400 Units cumulated, 2,02,79,400 Units sold during the year) (Current Investments)           | —                 | —                 |
|                          | — Units HDFC Fixed Maturity Plan - 3 Month - March 06 - Institutional Plan - Dividend (3,50,00,000 Units Purchased 6,00,250 Units cumulated, 3,56,00,250 Units sold during the year) (Current Investments)          | —                 | —                 |
|                          | — Units HDFC Fixed Maturity Plan - 3 Month - May 06 (1) - Institutional Plan - Dividend (3,00,00,000 Units Purchased, 4,09,500 Units cumulated, 3,04,09,500 Units sold during the year) (Current Investments)       | —                 | —                 |
|                          | — Units HDFC Fixed Maturity Plan - 3 Month - September 06 (1) - Institutional Plan - Dividend (4,20,00,000 Units Purchased, 6,20,340 Units cumulated, 4,26,20,340 Units sold during the year) (Current Investments) | —                 | —                 |
|                          | — Units HDFC Fixed Maturity Plan - 6 Month - June 06 (1) - Institutional Plan - Dividend (1,10,00,000 Units Purchased, 3,11,520 Units cumulated, 1,13,11,520 Units sold during the year) (Current Investments)      | —                 | —                 |
| <b>Birla Mutual Fund</b> | — Units Birla Bond Plus - Institutional Plan - Dividend (2,38,02,950 Units Purchased, 1,15,826 Units cumulated, 2,39,18,776 Units sold during the year) (Current Investments)                                       | —                 | —                 |
|                          | — Units Birla Cash Plus - Institutional Premium Plan - Daily Dividend (98,07,19,533 Units Purchased, 11,01,978 Units cumulated, 98,18,21,511 Units sold during the year) (Current Investments)                      | —                 | —                 |
|                          | 6,57,99,714 Units Birla Cash Plus - Institutional Premium Plan - Growth (6,57,99,714 Units Purchased during the year) (Current Investments)   | 75,00.00          | —                 |
|                          | — (2005-5,49,71,920) Units Birla Cash Plus - Institutional Premium Plan - Monthly Dividend (4,68,716 Units cumulated, 5,54,40,636 Units sold during the year) (Current Investments)                                 | —                 | 54,99.06          |

Schedules to Balance Sheet

|                             |  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|-----------------------------|--|-------------------|-------------------|
| <b>6.</b>                   | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)  |                   |                   |
|                             | 7,86,78,145 Units Birla Cash Plus - Institutional Premium Plan - Weekly Dividend (62,24,01,230 Units Purchased, 57,19,211 Units cumulated, 54,94,42,296 Units sold during the year) (Current Investments)        | <b>78,86.03</b>   | —                 |
|                             | — (2005-99,92,107) Units Birla Fixed Maturity Plan - Quarterly Series 2 - December 05 - Dividend (2,49,60,064 Units Purchased, 3,49,52,171 Units sold during the year) (Current Investments)                     | —                 | 10,00.00          |
|                             | 3,98,84,336 Units Birla Fixed Maturity Plan - Quarterly Series 2 - September 06 - Dividend (5,48,48,870 Units Purchased, 2,27,009 Units cumulated, 1,51,91,543 Units sold during the year) (Current Investments) | <b>40,00.00</b>   | —                 |
|                             | — Units Birla Fixed Maturity Plan - Quarterly Series 2 - Dividend (2,00,00,000 Units Purchased, 2,00,00,000 Units sold during the year) (Current Investments)  | —                 | —                 |
|                             | 3,00,00,000 Units Birla Fixed Maturity Plan - Quarterly Series 4 - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)  | <b>30,00.00</b>   | —                 |
|                             | — (2005-5,00,00,000) Units Birla Fixed Maturity Plan - Series A - Growth (5,00,00,000 Units sold during the year) (Current Investments)  | —                 | 50,00.00          |
|                             | 1,00,00,000 Units Birla Fixed Maturity Plan - Series E - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>   | —                 |
|                             | 2,00,00,000 Units Birla Fixed Maturity Plan - Series H - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)  | <b>20,00.00</b>   | —                 |
| <b>Deutsche Mutual Fund</b> | — (2005-1,00,00,000) Units Deutsche Fixed Term Fund - 389 Days - Growth (1,00,00,000 Units sold during the year) (Current Investments)   | —                 | 10,00.00          |
|                             | 54,81,837 (2005-54,81,837) Units Deutsche Fixed Term Fund - Series 4 - Growth (Current Investments)  | <b>5,48.18</b>    | 5,45.98           |
|                             | 35,00,000 Units Deutsche Fixed Term Fund - Series 5 - Growth (35,00,000 Units Purchased during the year) (Current Investments)   | <b>3,50.00</b>    | —                 |
|                             | 1,10,00,000 Units Deutsche Fixed Term Fund - Series 6 - Growth (1,10,00,000 Units Purchased during the year) (Current Investments)   | <b>11,00.00</b>   | —                 |
|                             | — Units Deutsche Fixed Term Fund - Series 13 - Dividend (1,50,00,000 Units Purchased, 2,21,987 Units cumulated, 1,52,21,987 Units sold during the year) (Current Investments)                                    | —                 | —                 |
|                             | 1,80,00,000 Units Deutsche Fixed Term Fund - Series 22 - Dividend (1,80,00,000 Units Purchased during the year) (Current Investments)  | <b>18,00.00</b>   | —                 |
|                             | — Units Deutsche Insta Cash Plus Fund - Institutional Plan - Weekly Dividend (2,77,93,101 Units Purchased, 3,82,535 Units cumulated, 2,81,75,636 Units sold during the year) (Current Investments)               | —                 | —                 |
|                             | — Units Deutsche Fixed Term Fund - 389 Days - Growth (40,00,000 Units acquired on amalgamation [Refer note 14(i)] and sold during the year) (Current Investments)  | —                 | —                 |
|                             | — Units Deutsche Insta Cash Plus Fund - Institutional Plan - Growth (69,589 Units acquired on amalgamation [Refer note 14(i)] and sold during the year) (Current Investments)                                    | —                 | —                 |
| <b>HSBC Mutual Fund</b>     | — (2005-2,51,73,398) Units HSBC Cash Fund - Institutional Plus - Monthly Dividend (1,88,230 Units cumulated, 2,53,61,628 Units sold during the year) (Current Investments)                                       | —                 | 25,19.43          |
|                             | — (2005-1,80,44,571) Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus - Daily Dividend (35,991 Units cumulated, 1,80,80,562 Units sold during the year) (Current Investments)                | —                 | 18,04.82          |
|                             | — (2005-3,88,29,717) Units HSBC Floating Rate Fund - Short Term Plan - Institutional Plus - Monthly Dividend (2,71,003 Units cumulated, 3,91,00,720 Units sold during the year) (Current Investments)            | —                 | 38,85.07          |
|                             | 1,00,00,000 (2005-1,00,00,000) Units HSBC Fixed Term Series 1 - Growth (Current Investments)   | <b>10,00.00</b>   | 9,96.51           |
|                             | 1,50,00,000 Units HSBC Fixed Term Series 14 - Growth (1,50,00,000 Units Purchased during the year) (Current Investments)   | <b>15,00.00</b>   | —                 |
|                             | 1,20,00,000 Units HSBC Fixed Term Series 21 - Institutional Plan - Growth (1,20,00,000 Units Purchased during the year) (Current Investments)  | <b>12,00.00</b>   | —                 |
|                             | — Units HSBC Fixed Term Series 3 - Dividend (1,50,00,000 Units Purchased, 5,00,266 Units cumulated, 1,55,00,266 Units sold during the year) (Current Investments)  | —                 | —                 |
|                             | 2,00,00,000 Units HSBC Fixed Term Series 4 - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)  | <b>20,00.00</b>   | —                 |
|                             | — Units HSBC Fixed Term Series 7 - Dividend (2,50,00,000 Units Purchased, 3,76,027 Units cumulated, 2,53,76,027 Units sold during the year) (Current Investments)  | —                 | —                 |
|                             | — Units HSBC Fixed Term Series 8 - Dividend (2,50,00,000 Units Purchased, 4,30,648 Units cumulated, 2,54,30,648 Units sold during the year) (Current Investments)  | —                 | —                 |

## Schedules to Balance Sheet

|                                       |   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|---------------------------------------|---|-------------------|-------------------|
| <b>6.</b>                             | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)   |                   |                   |
|                                       | 3,36,24,506 Units HSBC Liquid Plus Fund - Institutional Plan Plus - Daily Dividend (3,35,04,639 Units Purchased, 1,19,867 Units cumulated during the year) (Current Investments)  | <b>33,62.52</b>   | —                 |
|                                       | — Units HSBC Cash Fund - Institutional Plan - Growth (7,18,907 Units acquired on amalgamation [Refer note 14(i)] and sold during the year) (Current Investments)  | —                 | —                 |
|                                       | — Units HSBC Cash Fund - Institutional Plus - Daily Dividend (22,33,74,911 Units Purchased, 1,73,202 Units cumulated, 22,35,48,113 Units sold during the year) (Current Investments)  | —                 | —                 |
|                                       | — Units HSBC Cash Fund - Institutional Plus - Growth (2,22,01,501 Units Purchased and sold during the year) (Current Investments)   | —                 | —                 |
|                                       | — Units HSBC Cash Fund - Institutional Plus - Weekly Dividend (26,62,33,604 Units Purchased, 16,19,327 Units cumulated, 26,78,52,931 Units sold during the year) (Current Investments)  | —                 | —                 |
| <b>PRINCIPAL Mutual Fund</b>          | 2,03,85,149 (2005-7,22,37,373) Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Monthly Dividend (19,995,002 Units Purchased, 960,460 Units cumulated, 72,807,686 Units sold during the year) (Current Investments)    | <b>20,39.02</b>   | 72,26.70          |
|                                       | 32,14,125 (2005-1,49,98,651) Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Weekly Dividend (41,04,34,554 Units Purchased, 23,30,992 Units cumulated, 42,45,50,072 Units sold during the year) (Current Investments) | <b>3,21.44</b>    | 15,00.00          |
|                                       | — (2005-1,50,00,000) Units PRINCIPAL Deposit Fund - 371 days - March 05 - Growth (1,50,00,000 Units sold during the year) (Current Investments)   | —                 | 15,00.00          |
|                                       | — (2005-1,50,00,000) Units PRINCIPAL Deposit Fund - November 05 - 15,00.00 91 days - Dividend (1,50,00,000 Units Purchased, 4,07,074 Units cumulated, 3,04,07,074 Units sold during the year) (Current Investments)                                     | —                 | —                 |
|                                       | — (2005-2,31,85,393) Units PRINCIPAL Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend (2,28,71,363 Units Purchased, 2,85,156 Units cumulated, 4,63,41,912 Units sold during the year) (Current Investments)                         | —                 | 25,32.80          |
|                                       | 5,10,26,695 Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Growth (5,10,26,695 Units Purchased during the year) (Current Investments)  | <b>57,00.00</b>   | —                 |
|                                       | — Units PRINCIPAL Income Fund - Short Term Plan - Institutional Plan - Monthly Dividend 1,08,92,480 Units Purchased, 39,563 Units cumulated, 1,09,32,043 Units sold during the year) (Current Investments)  | —                 | —                 |
|                                       | — Units PRINCIPAL Cash Management Fund Liquid Option - Institutional Premium Plan - Daily Dividend (5,99,95,801 Units Purchased, 38,962 Units cumulated, 6,00,34,763 Units sold during the year) (Current Investments)                                  | —                 | —                 |
|                                       | 1,50,00,000 Units Principal PNB Fixed Maturity Plan 385 Days - Series 1 - Institutional Plan - Growth 1,50,00,000 Units Purchased during the year) (Current Investments)  | <b>15,00.00</b>   | —                 |
|                                       | 1,00,00,000 Units Principal PNB Fixed Maturity Plan 385 Days - Series 2 - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>   | —                 |
|                                       | — Units Principal PNB Fixed Maturity Plan 91 Days - Series 1 - Dividend (3,00,00,000 Units Purchased, 4,09,041 Units cumulated, 3,04,09,041 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                       | — Units Principal PNB Fixed Maturity Plan 91 Days - Series 2 - Dividend (2,00,00,000 Units Purchased, 3,07,168 Units cumulated, 2,03,07,168 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                       | — Units Principal PNB Fixed Maturity Plan 91 Days - Series 3 - Dividend (1,70,00,000 Units Purchased, 2,90,739 Units cumulated, 1,72,90,739 Units sold during the year) (Current Investments)   | —                 | —                 |
|                                       | — Units Principal PNB Fixed Maturity Plan 91 Days - Series 4 - Dividend (1,50,00,000 Units Purchased and sold during the year) (Current Investments)  | —                 | —                 |
|                                       | 60,00,000 Units Principal PNB Fixed Maturity Plan 91 Days - Series 5 - Dividend (1,60,00,000 Units Purchased, 1,45,623 Units cumulated, 1,01,45,623 Units sold during the year) (Current Investments)   | <b>6,00.00</b>    | —                 |
|                                       | 3,50,00,000 Units Principal PNB Fixed Maturity Plan 91 Days - Series 6 - Dividend (3,50,00,000 Units Purchased during the year) (Current Investments)   | <b>35,00.00</b>   | —                 |
| <b>Franklin Templeton Investments</b> | 4,30,00,000 Units Franklin Templeton Fixed Tenure Fund - Series 5 - Growth (4,30,00,000 Units Purchased during the year) (Current Investments)  | <b>43,00.00</b>   | —                 |

## Schedules to Balance Sheet

|                             |   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|-----------------------------|---|-------------------|-------------------|
| <b>6.</b>                   | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)   |                   |                   |
|                             | 4,72,655 Units Templeton India Treasury Management Account - Super Institutional Plan - Growth (4,72,655 Units Purchased during the year) (Current Investments)   | <b>50,00.00</b>   | —                 |
|                             | 1,05,783 Units Templeton India Treasury Management Account - Super Institutional Plan - Weekly Dividend (34,19,848 Units Purchased, 16,561 Units cumulated, 33,30,626 Units sold during the year) (Current Investments) | <b>10,75.38</b>   | —                 |
|                             | — Units Templeton India Short Term Institutional Plan - Institutional Plan - Weekly Dividend 7,80,555 Units Purchased, 5,641 Units cumulated, 7,86,196 Units sold during the year) (Current Investments)                | —                 | —                 |
|                             | — Units Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend (36,48,562 Units Purchased, 3,381 Units cumulated, 36,51,943 Units sold during the year) (Current Investments)          | —                 | —                 |
|                             | — Units Templeton India Treasury Management Account - Weekly Dividend (1,470 Units acquired on amalgamation [Refer note 14(i)], 3 Units cumulated, 1,473 Units sold during the year) (Current Investments)              | —                 | —                 |
| <b>ABN AMRO Mutual Fund</b> | — (2005-7,79,70,636) Units ABN AMRO Cash Fund - Institutional Plus Plan - Monthly Dividend 2,19,51,753 Units Purchased, 3,87,479 Units cumulated, 10,03,09,868 Units sold during the year) (Current Investments)        | —                 | 77,97.80          |
|                             | 74,21,378 Units ABN AMRO Cash Fund - Institutional Plus Plan - Weekly Dividend (2,20,50,539 Units Purchased, 3,57,353 Units cumulated, 1,49,86,514 Units sold during the year) (Current Investments)                    | <b>7,42.14</b>    | —                 |
|                             | 2,00,00,000 Units ABN AMRO Fixed Term Plan - Series 1 - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)  | <b>20,00.00</b>   | —                 |
|                             | 2,00,00,000 Units ABN AMRO Fixed Maturity Plan - Series 2 - 13 Month Plan - Growth (2,00,00,000 Units Purchased during the year) (Current Investments)  | <b>20,00.00</b>   | —                 |
|                             | — Units ABN AMRO Cash Fund - Institutional Plus Plan - Daily Dividend (5,10,00,000 Units Purchased, 19,765 Units cumulated, 5,10,19,765 Units sold during the year) (Current Investments)                               | —                 | —                 |
|                             | 3,30,00,000 Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan E - Dividend (3,30,00,000 Units Purchased during the year) (Current Investments)   | <b>33,00.00</b>   | —                 |
|                             | 3,00,00,000 Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan G - Dividend (3,00,00,000 Units Purchased during the year) (Current Investments)   | <b>30,00.00</b>   | —                 |
|                             | 1,00,00,000 Units ABN AMRO Fixed Maturity Plan - Series 3 - Yearly Plan - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>   | —                 |
|                             | 1,20,00,000 Units ABN AMRO Fixed Maturity Plan - Series 4 - Quarterly Plan A - Monthly Dividend (1,20,00,000 Units Purchased during the year) (Current Investments)   | <b>12,00.00</b>   | —                 |
|                             | 4,50,00,000 Units ABN AMRO Fixed Maturity Plan - Series 4 - Quarterly Plan B - Dividend (4,50,00,000 Units Purchased during the year) (Current Investments)   | <b>45,00.00</b>   | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 2 - Half Yearly Plan - Dividend (1,00,00,000 Units Purchased, 2,97,795 Units cumulated, 1,02,97,795 Units sold during the year) (Current Investments)                     | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan A - Dividend (2,60,00,000 Units Purchased, 4,11,068 Units cumulated, 2,64,11,068 Units sold during the year) (Current Investments)                     | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan B - Dividend (1,00,00,000 Units Purchased, 1,39,154 Units cumulated, 1,01,39,154 Units sold during the year) (Current Investments)                     | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan C - Dividend (1,00,00,000 Units Purchased, 1,36,593 Units cumulated, 1,01,36,593 Units sold during the year) (Current Investments)                     | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 2 - Quarterly Plan D - Dividend (1,70,00,000 Units Purchased, 2,40,608 Units cumulated, 1,72,40,608 Units sold during the year) (Current Investments)                     | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan A - Dividend (1,00,00,000 Units Purchased, 1,41,723 Units cumulated, 1,01,41,723 Units sold during the year) (Current Investments)                     | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan B - Dividend (1,70,00,000 Units Purchased, 2,50,145 Units cumulated, 1,72,50,145 Units sold during the year) (Current Investments)                     | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan C - Dividend (1,00,00,000 Units Purchased, 1,47,272 Units cumulated,   | —                 | —                 |

## Schedules to Balance Sheet

|                             |   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|-----------------------------|---|-------------------|-------------------|
| <b>6.</b>                   | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)   |                   |                   |
|                             | 1,01,47,272 Units sold during the year) (Current Investments)   | —                 | —                 |
|                             | — Units ABN AMRO Fixed Maturity Plan - Series 3 - Quarterly Plan D - Dividend (5,50,00,000 Units Purchased, 8,38,811 Units cumulated, 5,58,38,811 Units sold during the year) (Current Investments)   | —                 | —                 |
| <b>SBI Mutual Fund</b>      | 2,50,00,000 Units SBI Magnum Debt Fund Series - 90 Days - December 06 - Dividend (2,50,00,000 Units Purchased during the year) (Current Investments)  | <b>25,00.00</b>   | —                 |
|                             | — (2005-6,04,97,483 Units SBI Magnum Institutional Income Savings Plan - Fty Dividend 1,98,495 Units cumulated, 6,06,95,978 Units sold during the year) (Current Investments)                         | —                 | 60,87.80          |
|                             | — Units SBI Magnum Debt Fund Series - 90 Days - May 06 - Dividend (1,00,00,000 Units Purchased, 1,34,100 Units cumulated, 1,01,34,100 Units sold during the year) (Current Investments)               | —                 | —                 |
|                             | — Units SBI Magnum Institutional Income Savings Plan - Weekly Dividend (5,79,75,782 Units Purchased, 96,837 Units cumulated, 5,80,72,619 Units sold during the year) (Current Investments)            | —                 | —                 |
| <b>UTI Mutual Fund</b>      | — Units UTI - Fixed Maturity Plan - August 06 - Quarterly Series 2 - Dividend (2,50,00,000 Units - Purchased, 3,64,873 Units cumulated, 2,53,64,873 Units sold during the year) (Current Investments) | —                 | —                 |
|                             | 1,00,00,000 Units UTI - Fixed Maturity Plan - August 06 - Yearly Series - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>   | —                 |
|                             | 2,50,00,000 Units UTI - Fixed Maturity Plan - December 06 - Half Yearly Series - Dividend (2,50,00,000 Units Purchased during the year) (Current Investments)   | <b>25,00.00</b>   | —                 |
|                             | — Units UTI - Fixed Maturity Plan - May 06 - Quarterly Series 2 - Dividend (10,00,000 Units Purchased, 12,776 Units cumulated, 10,12,776 Units sold during the year) (Current Investments)            | —                 | —                 |
|                             | 50,00,000 Units UTI - Fixed Maturity Plan - November 06 - Quarterly Series 1 - Dividend (50,00,000 Units Purchased during the year) (Current Investments)   | <b>5,00.00</b>    | —                 |
|                             | 1,00,00,000 Units UTI - Fixed Maturity Plan - October 06 - Quarterly Series 2 - Dividend (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>   | —                 |
| <b>TATA Mutual Fund</b>     | 1,50,00,000 (2005-1,50,00,000) Units Tata Fixed Horizon Fund - Series 2 - Plan B - Growth (Current Investments)   | <b>15,00.00</b>   | 14,98.23          |
|                             | — (2005-1,79,417) Units Tata Liquid Fund - Super High Investment Plan - Monthly Dividend (584 Units cumulated, 1,80,001 Units sold during the year) (Current Investments)                             | —                 | 20,28.17          |
|                             | 1,00,00,000 Units Tata Fixed Horizon Fund - Series 2 - Plan C - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>   | —                 |
|                             | 1,00,00,000 Units Tata Fixed Horizon Fund - Series 3 - Plan F - Growth (1,00,00,000 Units Purchased during the year) (Current Investments)  | <b>10,00.00</b>   | —                 |
|                             | 2,40,00,000 Units Tata Fixed Horizon Fund - Series 3 - Plan G - Growth (2,40,00,000 Units Purchased during the year) (Current Investments)  | <b>24,00.00</b>   | —                 |
|                             | — Units Tata Fixed Horizon Fund - Series 5 - Plan A - Dividend (1,80,00,000 Units Purchased, 3,14,629 Units cumulated, 1,83,14,629 Units sold during the year) (Current Investments)                  | —                 | —                 |
|                             | — Units Tata Fixed Horizon Fund - Series 5 - Plan C - Dividend (2,50,00,000 Units Purchased, 3,50,434 Units cumulated, 2,53,50,434 Units sold during the year) (Current Investments)                  | —                 | —                 |
|                             | 50,00,000 Units Tata Fixed Horizon Fund - Series 7 - Plan D - Institutional Plan - Growth (50,00,000 Units Purchased during the year) (Current Investments)   | <b>5,00.00</b>    | —                 |
|                             | — Units Tata Liquid Fund - Super High Investment Plan - Weekly Dividend (1,79,644 Units Purchased, 64 Units cumulated, 1,79,708 Units sold during the year) (Current Investments)                     | —                 | —                 |
| <b>Reliance Mutual Fund</b> | — Units Reliance Fixed Horizon Fund - Series 1 - Plan B - Dividend (50,00,000 Units Purchased, 67,503 Units cumulated, 50,67,503 Units sold during the year) (Current Investments)                    | —                 | —                 |
|                             | — Units Reliance Fixed Horizon Fund - Series 2 - Plan A - Dividend (1,00,00,000 Units Purchased, 44,675 Units cumulated, 1,00,44,675 Units sold during the year) (Current Investments)                | —                 | —                 |
|                             | — Units Reliance Fixed Horizon Fund - Series 2 - Plan B - Dividend (3,00,00,000 Units Purchased, 4,67,250 Units cumulated, 3,04,67,250 Units sold during the year) (Current Investments)              | —                 | —                 |
|                             | — Units Reliance Fixed Horizon Fund - Series 3 - Plan A - Dividend (1,00,00,000 Units Purchased, 44,349 Units cumulated, 1,00,44,349 Units sold during the year) (Current Investments)                | —                 | —                 |
|                             | — Units Reliance Fixed Horizon Fund - Series 3 - Plan B - Dividend (1,50,00,000 Units Purchased, 2,10,838 Units cumulated,  | —                 | —                 |

Schedules to Balance Sheet

|                                   |  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs       |
|-----------------------------------|--|--|-------------------------|
| <b>6.</b>                         | <b>INVESTMENTS (Contd...)</b><br>(Long-term, Unquoted, unless otherwise stated)  |  |                         |
|                                   | 1,52,10,838 Units sold during the year) (Current Investments)  |  |                         |
|                                   | — Units Reliance Fixed Horizon Fund - Series 4 - Plan B - Dividend<br>(1,50,00,000 Units Purchased, 2,28,725 Units cumulated,<br>1,52,28,725 Units sold during the year) (Current Investments)       | —  | —                       |
|                                   | — Units Reliance Fixed Horizon Fund Series 1 - Monthly Plan 1 -<br>Dividend (2,50,00,000 Units Purchased, 1,21,488 Units cumulated,<br>2,51,21,488 Units sold during the year) (Current Investments) | —  | —                       |
|                                   | — Units Reliance Fixed Horizon Fund Series 1 - Quarterly Plan 1 -<br>Dividend (1,50,00,000 Units Purchased, 22,946 Units cumulated,<br>1,50,22,946 Units sold during the year) (Current Investments) | —  | —                       |
|                                   | 2,00,00,000 Units Reliance Fixed Horizon Fund Series 1 - Quarterly Plan 2 -<br>Dividend (2,00,00,000 Units Purchased during the year)<br>(Current Investments)                                       | 20,00.00   | —                       |
|                                   | 1,50,00,000 Units Reliance Fixed Horizon Fund Series 1 - Quarterly Plan 4 -<br>Dividend (1,50,00,000 Units Purchased during the year)<br>(Current Investments)                                       | 15,00.00   | —                       |
|                                   | — Units Reliance Fixed Horizon Fund Series 2 - Monthly Plan 1 -<br>Dividend (2,00,00,000 Units Purchased, 1,03,888 Units cumulated,<br>2,01,03,888 Units sold during the year) (Current Investments) | —  | —                       |
|                                   | 98,81,243 Units Reliance Liquid Fund - Cash Plan - Daily Dividend<br>(98,73,352 Units Purchased, 7,891 Units cumulated during<br>the year) (Current Investments)                                     | 11,00.88   | —                       |
| <b>LIC Mutual Fund</b>            | 50,00,000 Units LIC Mutual Fund Fixed Maturity Plan - Series 5 - Growth<br>(50,00,000 Units Purchased during the year) (Current Investments)   | 5,00.00  | —                       |
|                                   | — Units LIC Mutual Fund Fixed Maturity Plan - Series 6 - Dividend<br>(1,00,00,000 Units Purchased, 1,75,515 Units cumulated,<br>1,01,75,515 Units sold during the year) (Current Investments)        | —  | —                       |
|                                   | — Units LIC Mutual Fund Fixed Maturity Plan - Series 8 - Dividend<br>(1,00,00,000 Units Purchased, 1,49,952 Units cumulated,<br>1,01,49,952 Units sold during the year) (Current Investments)        | —  | —                       |
| <b>Kotak Mahindra Mutual Fund</b> | — Units Kotak Fixed Maturity Plan - 3 Month - Series 1 - Dividend<br>(1,00,00,000 Units Purchased, 1,43,699 Units cumulated,<br>1,01,43,699 Units sold during the year) (Current Investments)        | —  | —                       |
|                                   | — Units Kotak Fixed Maturity Plan - 3 Month - Series 2 - Dividend<br>(1,00,00,000 Units Purchased, 1,38,974 Units cumulated,<br>1,01,38,974 Units sold during the year) (Current Investments)        | —  | —                       |
|                                   | — Units Kotak Fixed Maturity Plan - 3 Month - Series 4 - Dividend<br>(1,00,00,000 Units Purchased, 1,49,173 Units cumulated,<br>1,01,49,173 Units sold during the year) (Current Investments)        | —  | —                       |
|                                   | 50,00,000 Units Kotak Fixed Maturity Plan - 3 Month - Series 6 - Dividend<br>(50,00,000 Units Purchased during the year)<br>(Current Investments)  | 5,00.00  | —                       |
|                                   | 1,00,00,000 Units Kotak Fixed Maturity Plan - 3 Month - Series 7 - Dividend<br>(1,00,00,000 Units Purchased during the year)<br>(Current Investments)  | 10,00.00   | —                       |
|                                   | 1,50,00,000 Units Kotak Fixed Maturity Plan Series 13 - Growth (1,50,00,000<br>Units Purchased during the year) (Current Investments)  | 15,00.00   | —                       |
|                                   | — Units Kotak Fixed Maturity Plan Series 19 - Dividend (1,50,00,000<br>Units Purchased, 2,45,619 Units cumulated, 1,52,45,619 Units sold<br>during the year) (Current Investments)                   | —  | —                       |
|                                   | — Units Kotak Fixed Maturity Plan Series 23 - Dividend<br>(2,00,00,000 Units Purchased, 3,31,311 Units cumulated,<br>2,03,31,311 Units sold during the year)<br>(Current Investments)                | —  | —                       |
|                                   | — Units Kotak Fixed Maturity Plan Series 24 - Dividend<br>(1,00,00,000 Units Purchased, 1,33,858 Units cumulated,<br>1,01,33,858 Units sold during the year) (Current Investments)                   | —  | —                       |
|                                   | Share of Joint Ventures - Schedule -20(b)  | —  | 3,087.00                |
|                                   |  | <b>TOTAL - C</b>   | 1529,51.68              |
|                                   |  | <b>TOTAL (A + B + C)</b>   | 1824,10.95              |
|                                   | Provision for diminution in value of long term investments   | (9.17)   | (2,50.65)               |
|                                   |  | <b>TOTAL</b>   | 1821,60.30              |
|                                   | Aggregate book value of investments  | Unquoted<br>Quoted-Market Value Rs. 17,527.11 lakhs<br>(2005-Rs.36,983.67 lakhs) | 1623,14.35<br>198,45.95 |
|                                   |  | <b>Total</b>   | 1821,60.30              |

## Schedules to Balance Sheet

|  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs  |
|--|--------------------|--------------------|
| <b>7. Deferred tax assets</b>  |                    |                    |
| On Employee Separation and Retirement  | 213,49.94          | 183,19.92          |
| On Other Timing Differences  | 123,55.86          | 120,93.93          |
| On Fiscal Allowances on Investments  | 53.50              | 7,37.42            |
| Other Items  | 53,77.62           | 26,76.48           |
|  | <u>391,36.92</u>   | <u>338,27.75</u>   |
| Share of Joint Ventures - Schedule 20 (b)  | —                  | —                  |
|  | <u>391,36.92</u>   | <u>338,27.75</u>   |
| <b>Notes:</b>  |                    |                    |
| a) Deferred tax assets taken over consequent to the Scheme of arrangement for amalgamation Rs 1,089.54 lakhs (Refer note 14(i) to Profit and Loss account)     |                    |                    |
| b) Deferred tax asset reversed consequent to disposal of subsidiary Rs. 2.20 lakhs (Refer note 14(iii) to Profit and Loss account)                             |                    |                    |
| <b>8. DEFERRED TAX LIABILITIES</b>   |                    |                    |
| On Fiscal Allowances on Fixed Assets   | (162,60.43)        | (124,72.39)        |
|  | <u>(162,60.43)</u> | <u>(124,72.39)</u> |
| Share of Joint Ventures - Schedule 20 (b)  | (1,53.00)          | (3,99.43)          |
|  | <u>(164,13.43)</u> | <u>(128,71.82)</u> |
| <b>Notes:</b>  |                    |                    |
| a) Deferred tax liabilities taken over consequent to the Scheme of arrangement for amalgamation Rs 629.74 lakhs. (Refer note 14(i) to Profit and Loss account) |                    |                    |
| b) Deferred tax liability reversed consequent to disposal of subsidiary Rs. 26.50 lakhs (Refer note 14(ii) to Profit and Loss account)                         |                    |                    |
| c) Deferred tax liability reversed consequent to disposal of a joint venture Rs. 245.66 lakhs (Refer note 14(ii) to Profit and Loss account)                   |                    |                    |
| <b>9. INVENTORIES</b><br><b>(at lower of cost and net realisable value)</b>  |                    |                    |
| Stores and spare parts, etc.   | 29,46.60           | 30,81.53           |
| Raw materials  | 758,30.62          | 678,28.61          |
| Packing materials  | 101,44.17          | 83,91.92           |
| Work-in-progress   | 36,31.76           | 30,98.02           |
| Processed chemicals  | 84.62              | 91.82              |
| Finished goods   | 669,57.87          | 552,56.60          |
| Property Development Activity  | 48.77              | 48.77              |
| - Work-in-progress (Refer Note 15)   |                    |                    |
|  | <u>1596,44.41</u>  | <u>1377,97.27</u>  |
| Share of Joint Ventures - Schedule 20 (b)  | 7,92.52            | 13,79.33           |
|  | <u>1604,36.93</u>  | <u>1391,76.60</u>  |

## Schedules to Balance Sheet

|  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--|-------------------|-------------------|
| <b>10. SUNDRY DEBTORS (unsecured)</b>  |                   |                   |
| Considered good  |                   |                   |
| Over 6 months old  | 30,55.51          | 51,28.17          |
| Others   | <u>446,82.62</u>  | <u>517,58.73</u>  |
|  | <b>477,38.13</b>  | <b>568,86.90</b>  |
| Considered doubtful  |                   |                   |
| Over 6 months old  | 62,09.24          | 72,25.70          |
| Others   | <u>45.41</u>      | <u>29.29</u>      |
|  | <b>62,54.65</b>   | <b>72,54.99</b>   |
|  | <b>539,92.78</b>  | <b>641,41.89</b>  |
| Less: Provision for doubtful debts   | <u>(62,54.65)</u> | <u>(72,54.99)</u> |
|  | <b>477,38.13</b>  | <b>568,86.90</b>  |
| Share of Joint Ventures - Schedule 20 (b)  | <u>3,01.26</u>    | <u>10,79.06</u>   |
|  | <b>480,39.39</b>  | <b>579,65.96</b>  |
| <b>11. CASH AND BANK BALANCES</b>  |                   |                   |
| Cash on hand   | 1,16.85           | 1,46.92           |
| With Scheduled banks   |                   |                   |
| - on current accounts  | 170,84.07         | 115,30.08         |
| - on deposit accounts  | <u>248,71.94</u>  | <u>263,23.61</u>  |
|  | <b>420,72.86</b>  | <b>380,00.61</b>  |
| Share of Joint Ventures - Schedule 20 (b)  | <u>40,17.17</u>   | <u>39,84.03</u>   |
|  | <b>460,90.03</b>  | <b>419,84.64</b>  |
| <b>12. OTHER CURRENT ASSETS</b>  |                   |                   |
| Income accrued on investments  | 16,32.25          | 15,57.70          |
| Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower) | <u>3,34.44</u>    | <u>3,23.48</u>    |
|  | <b>19,66.69</b>   | <b>18,81.18</b>   |
| Share of Joint Ventures - Schedule 20 (b)  | <u>2,89.65</u>    | <u>1,54.78</u>    |
|  | <b>22,56.34</b>   | <b>20,35.96</b>   |
| <b>13. LOANS AND ADVANCES</b>  |                   |                   |
| (Unsecured, considered good unless otherwise stated)   |                   |                   |
| Advances recoverable in cash or in kind or for value to be received [including :-                    | 452,81.94         | 351,68.42         |
| (i) Rs. 133,16.73 lakhs (2005 - Rs. 132,36.36 lakhs) not due before 31st December, 2007;             |                   |                   |
| Considered doubtful  | <u>32,15.63</u>   | <u>38,84.26</u>   |
|  | <b>484,97.57</b>  | <b>390,52.68</b>  |
| Less : Provision for doubtful advances   | <u>(32,15.63)</u> | <u>(38,84.26)</u> |
|  | <b>452,81.94</b>  | <b>351,68.42</b>  |
| Deposits with Customs, Port Trust, Excise, etc.  | <u>154,46.15</u>  | <u>140,37.96</u>  |
|  | <b>607,28.09</b>  | <b>492,06.38</b>  |
| Share of Joint Ventures - Schedule 20 (b)  | <u>14,18.44</u>   | <u>15,75.88</u>   |
|  | <b>621,46.53</b>  | <b>507,82.26</b>  |
| <b>14. LIABILITIES</b>   |                   |                   |
| Acceptances  | 683,69.86         | 561,20.72         |
| Sundry creditors (Schedule 19)   |                   |                   |
| Small Scale Industrial Undertakings  | 9,68.13           | 44,05.92          |
| Others   | <u>2512,58.28</u> | <u>2400,29.07</u> |
|  | <b>2522,26.41</b> | <b>2444,34.99</b> |
| Advances and progress payments - Property Development Activity                                       | 5.97              | 6.24              |
| Security advances  | 17,65.94          | 17,20.71          |
| Dividends declared pending payment / encashment  | 39,11.20          | 35,51.95          |
| Interest accrued but not due on loans  | <u>4.30</u>       | <u>4,82.16</u>    |
|  | <b>3262,83.68</b> | <b>3063,16.77</b> |
| Share of Joint Ventures - Schedule 20 (b)  | <u>17,83.91</u>   | <u>28,16.03</u>   |
|  | <b>3280,67.59</b> | <b>3091,32.80</b> |

## Schedules to Balance Sheet

|  | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|--|-------------------|-------------------|
| <b>15. PROVISIONS</b>  |                   |                   |
| Current taxation (provisions in excess of payments) including tax on distributed profits | <b>62,40.08</b>   | 67,30.36          |
| Fringe Benefit Taxation  | <b>8,84.98</b>    | 9,20.25           |
| Provision for retirement/post retirement benefits and other employee benefits            | <b>539,99.47</b>  | 476,95.76         |
| Proposed dividend  | <b>662,85.45</b>  | 550,31.09         |
| Other provisions (Schedule 18)   | <b>66,23.39</b>   | 76,43.89          |
|  | <b>1340,33.37</b> | 1180,21.35        |
| Share of Joint Ventures - Schedule 20 (b)  | <b>12,76.84</b>   | 7,51.01           |
|  | <b>1353,10.21</b> | 1187,72.36        |

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.

|   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|---|-------------------|-------------------|
| <b>17. CONTINGENT LIABILITIES</b>   |                   |                   |
| (a) Claims made against Companies not acknowledged as debts and other matters                     |                   |                   |
| Income-tax matters  | <b>280,86.39</b>  | 238,45.58         |
| Sales tax matters-gross Rs. 24714.53 lakhs (2005 - Rs. 233,36.01 lakhs) net of tax                | <b>163,95.62</b>  | 154,81.31         |
| Excise matters and Customs matters-gross Rs. 6926.49 lakhs (2005 - Rs. 60,78.80 lakhs) net of tax | <b>45,93.03</b>   | 40,32.86          |
| Other matters-gross Rs. 1640.63 lakhs (2005 - Rs. 17,64.75 lakhs) net of tax                      | <b>10,89.17</b>   | 11,70.73          |
| (b) Guarantees given to banks, etc. in respect of third parties                                   | <b>16,32.91</b>   | 64,01.87          |
| 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. PROVISIONS**

| As at 1st January,<br>2006 | Provision made during<br>the year | Amounts utilised /<br>reversed during the year | As at 31st December 2006 |
|----------------------------|-----------------------------------|--|--------------------------|
| <b>76,43.89</b>            | 46.78                             | (10,67.28)                                     | <b>66,23.39</b>          |

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

19. 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.
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<br>at 31st December, 2006 | % voting power held as<br>at 31st December, 2005 |
|--|--------------------------|--|--|
| Unilever India Exports Limited   | India                    | <b>100</b>                                       | 100  |
| Bon Limited  | India                    | <b>100</b>                                       | 100  |
| Unilever Nepal Lever Limited   | Nepal                    | <b>80</b>  | 80   |
| Davershola Estates Pvt. Ltd.<br>(Formerly known as Hindustan Kwaliti Walls Foods Pvt. Ltd.)                | India                    | <b>100</b>                                       | 100  |
| Modern Food Industries (India) Limited   | India                    | <b>100</b>                                       | 100  |
| Ponds Exports Limited  | India                    | <b>100</b>                                       | 100  |
| Doom Dooma Tea Company Ltd.<br>(sold during the year) (Refer note 14 (iii))                                | India                    | —  | 100  |
| Tea Estates India Limited (sold during the year)<br>(Refer note 14 (ii))                                   | India                    | —  | 100  |
| Unilever India Shared Services Limited<br>(51% shareholding sold during the year)<br>(Refer note 14 (iii)) | India                    | —  | 100  |

## Schedules to Balance Sheet

|   |       |     |     |
|---|-------|-----|-----|
| Modern Food and Nutrition Industries Limited<br>(Shares held by Modern Food Industries (India) Limited) | India | 100 | 100 |
| Levers Associated Trust Limited   | India | 100 | 100 |
| Levindra Trust Limited  | India | 100 | 100 |
| Hindlever Trust Limited   | India | 100 | 100 |

**(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<br>as at 31st December, 2006 | % of ownership interest<br>as at 31st December, 2005 |
|---------------------|--------------------------|--|--|
|---------------------|--------------------------|--|--|

|  |       |     |     |
|--|-------|-----|-----|
| Kimberly Clark Lever Private Limited   | India | 50% | 50% |
| Quest International India Limited<br>(Upto 31st May, 2006) [Refer note 14(ii)] | India | Nil | 49% |

The Financial Statements of the Joint Ventures as certified by the auditors of the joint venture are drawn upto 31st December.

|  | As at<br>31st December, 2006<br>(Rs. Lakhs)                       | As at<br>31st December, 2005<br>(Rs. Lakhs)                       |
|--|---|---|
| <b>I. ASSETS</b>   |   |   |
| 1. Fixed Assets (including Capital work-in-progress)                           | 11,95.65  | 36,45.46  |
| 2. Investments   | —   | 31,49.64  |
| 3. Current Assets, Loans and Advances  |   |   |
| a) Inventories   | 7,92.52   | 13,79.33  |
| b) Sundry Debtors  | 3,01.26   | 10,79.06  |
| c) Cash and Bank Balances  | 40,17.17  | 39,84.03  |
| d) Other Current Assets  | 2,89.65   | 1,54.78   |
| e) Loans and Advances  | 14,18.44  | 15,75.88  |
| <b>II. LIABILITIES</b>   |   |   |
| 1. Shareholders' Funds - Reserves and Surplus                                  | (29,24.09)  | (21,26.11)  |
| 2. Secured Loans   | (1.07)  | (1,25.19)   |
| 3. Deferred Tax-Net  | (1,53.00)   | (399.43)  |
| 4. Current Liabilities and Provisions  |   |   |
| a) Liabilities   | (17,83.91)  | (28,16.03)  |
| b) Provisions  | (12,76.84)  | (7,51.01)   |
|  | <b>For the year ended<br/>31st December, 2006<br/>(Rs. Lakhs)</b> | <b>For the year ended<br/>31st December, 2005<br/>(Rs. Lakhs)</b> |
| <b>III. INCOME</b>   |   |   |
| 1. Sales (net of excise duty)  | 62,70.73  | 108,75.82   |
| 2. Other Income  | 3,03.09   | 4,15.64   |
| <b>IV. EXPENSES</b>  |   |   |
| 1. Operating expenses  | (52,06.52)  | (91,65.88)  |
| 2. Depreciation  | (1,25.41)   | (5,23.46)   |
| 3. Interest  | (0.88)  | (1.21)  |
| 4. Profit before Taxation  | 12,41.01  | 16,00.91  |
| 5. Provision for Taxation (including deferred taxation and fringe benefit tax) | (4,43.03)   | (4,26.00)   |
| 6. Profit after Taxation before minority interests                             | 7,97.98   | 11,74.91  |
| 7. Minority Interests  | —   | —   |
| 8. Net Profit  | 7,97.98   | 11,74.91  |
| <b>V. OTHER MATTERS</b>  |   |   |
| 1. Contingent Liabilities  | —   | —   |
| 2. Capital Commitments   | —   | —   |

The movement of the aggregate reserves of the joint ventures are as under :

|  |          |          |
|--|----------|----------|
| Reserves as at 1st January                   | 21,26.11 | 9,51.20  |
| Add : Group share of Profits for the year    | 7,97.98  | 11,74.91 |
| Less: Reserves on disposal of joint ventures | —        | —        |
| Reserves as at 31st December                 | 29,24.09 | 21,26.11 |

**(c) Investment in Associates**

The Group's Associates are :

| Name of the Company   | Country of Incorporation | % of ownership interest<br>as at 31st December, 2006 | % of ownership interest<br>as at 31st December, 2005 |
|---|--------------------------|--|--|
| Vashisti Detergents Limited [Refer Note 14(i)]              | India                    | Nil  | 32.91%   |
| Unilever India Shared services Limited [Refer note 14(iii)] | India                    | 49%  | Nil  |

The Financial Statements of the Associates are drawn upto 31st December.

21. 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, 2006

1. 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.
2. Figures in brackets indicate cash outgo
3. 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, 2006

### Information About Primary Business Segments

|   | 2006<br>Rs. lakhs  |                 |                    | 2005<br>Rs. lakhs |              |             |
|---|--------------------|-----------------|--------------------|-------------------|--------------|-------------|
|   | External           | Intersegment    | Total              | External          | Intersegment | Total       |
| <b>REVENUE</b>  |                    |                 |                    |                   |              |             |
| Soaps and Detergents  | <b>5595,12.65</b>  |                 | <b>5595,12.65</b>  | 4963,49.99        |              | 4963,49.99  |
| Personal Products   | <b>3360,09.45</b>  |                 | <b>3360,09.45</b>  | 3012,04.30        |              | 3012,04.30  |
| Beverages   | <b>1330,73.98</b>  |                 | <b>1330,73.98</b>  | 1277,44.74        |              | 1277,44.74  |
| Foods   | <b>468,73.01</b>   |                 | <b>468,73.01</b>   | 406,51.77         |              | 406,51.77   |
| Ice Creams  | <b>136,17.61</b>   |                 | <b>136,17.61</b>   | 104,25.03         |              | 104,25.03   |
| Exports   | <b>1369,49.05</b>  | <b>15,06.19</b> | <b>1384,55.24</b>  | 1460,58.73        | 16,20.22     | 1476,78.95  |
| Other Operations  | <b>351,42.52</b>   | <b>9,49.88</b>  | <b>360,92.40</b>   | 497,12.20         | 14,65.58     | 511,77.78   |
| <b>Total Segment</b>  | <b>12611,78.27</b> | <b>24,56.07</b> | <b>12636,34.34</b> | 11721,46.76       | 30,85.80     | 11752,32.56 |
| Eliminations  |                    |                 | <b>(24,56.07)</b>  |                   |              | (30,85.80)  |
| <b>Total (see note 3 to Segment Information)</b>  |                    |                 | <b>12611,78.27</b> |                   |              | 11721,46.76 |
| <b>RESULT</b>   |                    |                 |                    |                   |              |             |
| Soaps and Detergents  |                    |                 | <b>766,69.08</b>   |                   |              | 680,06.20   |
| Personal Products   |                    |                 | <b>952,82.88</b>   |                   |              | 863,09.19   |
| Beverages   |                    |                 | <b>220,50.92</b>   |                   |              | 242,40.46   |
| Foods   |                    |                 | <b>8,78.53</b>     |                   |              | (18,68.68)  |
| Ice Creams  |                    |                 | <b>14,63.50</b>    |                   |              | 5,30.56     |
| Exports   |                    |                 | <b>68,11.51</b>    |                   |              | 59,76.94    |
| Other Operations  |                    |                 | <b>(47,09.66)</b>  |                   |              | (29,36.54)  |
| <b>Total Segment</b>  |                    |                 | <b>1984,46.76</b>  |                   |              | 1802,58.13  |
| <b>Total</b>  |                    |                 | <b>1984,46.76</b>  |                   |              | 1802,58.13  |
| Un-allocated expenditure net of un-allocated income   |                    |                 | <b>(258,83.58)</b> |                   |              | (322,89.18) |
| <b>Operating Profit</b>   |                    |                 | <b>1725,63.17</b>  |                   |              | 1479,68.95  |
| Interest expenses   |                    |                 | <b>(13,96.66)</b>  |                   |              | (24,20.56)  |
| 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) |                    |                 | <b>143,68.90</b>   |                   |              | 131,67.86   |
| Taxation for the year (including adjustments of previous years)   |                    |                 | <b>(332,20.50)</b> |                   |              | (264,33.65) |
| <b>Profit after taxation, before exceptional items and share of Associates Profits</b>  |                    |                 | <b>1523,14.91</b>  |                   |              | 1322,82.60  |
| Exceptional items - income and expenditure (Segment)  |                    |                 |                    |                   |              |             |
| Detergents  |                    |                 | <b>40,03.69</b>    |                   |              | (19,51.95)  |
| Personal Products   |                    |                 | <b>191,09.87</b>   |                   |              | —           |
| Foods   |                    |                 | <b>(7,78.23)</b>   |                   |              | (5,39.00)   |
| Beverages   |                    |                 | <b>(31,31.72)</b>  |                   |              | —           |
| Ice Creams  |                    |                 | <b>(3,49.39)</b>   |                   |              | (15,00.00)  |
| Exports   |                    |                 | <b>(11,40.38)</b>  |                   |              | (38,43.96)  |
| Other Operations  |                    |                 | <b>(20,42.09)</b>  |                   |              | 46,34.29    |
|   |                    |                 | <b>156,71.75</b>   |                   |              | (32,00.62)  |
| Exceptional items - income and expenditure (Unallocated/Corporate)  |                    |                 | <b>217,46.04</b>   |                   |              | 20,05.03    |
| - Tax credit  |                    |                 | <b>(3,68.04)</b>   |                   |              | 49,35.43    |
| <b>Profit after exceptional items before share of Associates Profits</b>  |                    |                 | <b>1893,64.66</b>  |                   |              | 1360,22.44  |
| Share of Associates net profit  |                    |                 | <b>51.35</b>       |                   |              | (1,64.22)   |
| <b>Profit before Minority Interests</b>   |                    |                 | <b>1894,16.01</b>  |                   |              | 1358,58.22  |

## Segment Information for the Year Ended 31st December, 2006

### Information About Primary Business Segments

|  | Segment Assets    |            | Segment Liabilities |              |
|--|-------------------|------------|---------------------|--------------|
|  | Rs. lakhs         |            | Rs. lakhs           |              |
| <b>Other Information</b>                   | <b>2006</b>       | 2005       | <b>2006</b>         | 2005         |
| Soaps and Detergents                       | <b>1675,50.59</b> | 1481,78.70 | <b>(1616,56.93)</b> | (1537,43.36) |
| Personal Products                          | <b>753,30.44</b>  | 749,04.42  | <b>(574,04.32)</b>  | (505,14.68)  |
| Beverages                                  | <b>485,53.90</b>  | 403,00.62  | <b>(529,14.52)</b>  | (465,08.20)  |
| Foods                                      | <b>151,32.97</b>  | 140,13.99  | <b>(143,72.60)</b>  | (143,22.45)  |
| Ice Creams                                 | <b>95,78.99</b>   | 74,05.30   | <b>(76,71.44)</b>   | (85,56.54)   |
| Exports                                    | <b>614,25.41</b>  | 695,84.23  | <b>(290,56.51)</b>  | (242,80.89)  |
| Other Operations                           | <b>104,25.86</b>  | 287,87.87  | <b>(98,66.07)</b>   | (94,36.89)   |
| <b>Total</b>                               | <b>3879,98.16</b> | 3831,75.13 | <b>(3329,42.39)</b> | (3073,63.01) |
| Unallocated Corporate Assets / Liabilities | <b>3638,58.65</b> | 2868,08.96 | <b>(1560,97.60)</b> | (1452,78.77) |
| <b>Total Assets / Liabilities</b>          | <b>7518,56.81</b> | 6699,84.09 | <b>(4890,39.99)</b> | (4526,41.78) |

|                      | Capital expenditure |           | Depreciation / Amortisation |           | Non-Cash expenses other than depreciation / amortisation |           |
|----------------------|---------------------|-----------|-----------------------------|-----------|--|-----------|
|                      | Year 2006           | Year 2005 | Year 2006                   | Year 2005 | Year 2006  | Year 2005 |
| Soaps and Detergents | <b>67,07.50</b>     | 77,63.29  | <b>63,24.07</b>             | 54,34.38  | <b>5,02.29</b>   | 3,95.38   |
| Personal Products    | <b>25,82.66</b>     | 31,99.31  | <b>25,37.16</b>             | 22,74.75  | <b>3,04.47</b>   | 3,19.91   |
| Beverages            | <b>16,80.83</b>     | 4,40.15   | <b>7,02.05</b>              | 6,14.34   | <b>(54.45)</b>   | 1,13.01   |
| Foods                | <b>4,12.26</b>      | 2,77.17   | <b>2,75.69</b>              | 2,44.26   | <b>1,37.51</b>   | 1,58.74   |
| Ice Creams           | <b>8,50.36</b>      | 7,31.06   | <b>6,94.71</b>              | 6,32.96   | <b>29.54</b>   | 14.47     |
| Exports              | <b>5,03.01</b>      | 16,74.16  | <b>12,19.09</b>             | 12,24.67  | <b>31.93</b>   | 34,49.89  |
| Other Operations     | <b>3,05.78</b>      | 3,03.51   | <b>2,29.07</b>              | 13,59.44  | <b>(25.70)</b>   | 1,17.53   |

## Segment Information for the Year Ended 31st December, 2006

### Information About Secondary Business Segments

|  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs |
|--|--------------------|-------------------|
| <b>Revenue by Geographical Market</b>                  |                    |                   |
| India  | <b>10964,72.59</b> | 10017,96.95       |
| Outside India  | <b>1647,05.68</b>  | 1703,49.81        |
| <b>Total</b>   | <b>12611,78.27</b> | 11721,46.76       |
| <b>Additions to Fixed Assets and Intangible Assets</b> |                    |                   |
| India  | <b>128,56.02</b>   | 142,34.76         |
| Outside India  | <b>1,86.38</b>     | 1,53.89           |
| <b>Total</b>   | <b>130,42.40</b>   | 143,88.65         |
| <b>Carrying Amount of Segment Assets</b>               |                    |                   |
| India  | <b>3805,55.24</b>  | 3773,74.26        |
| Outside India  | <b>74,42.92</b>    | 47,98.39          |
| <b>Total</b>   | <b>3879,98.16</b>  | 3821,72.65        |

**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 :

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

**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.

|  | 2006<br>Rs. lakhs  | 2005<br>Rs. lakhs  |
|--|--------------------|--------------------|
| <b>3. Revenue comprise</b>   |                    |                    |
| Sales  | <b>12410,97.61</b> | <b>11565,82.60</b> |
| Income from services rendered (included in Other Income)             | <b>200,80.66</b>   | <b>153,70.25</b>   |
| Income from property development activity (included in Other Income) | —                  | <b>1,93.91</b>     |
| <b>Total</b>   | <b>12611,78.27</b> | <b>11721,46.76</b> |

- 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 Limited  
 Brooke Bond Group Limited  
 Brooke Bond South India Estates Limited  
 Lever Faberge UK  
 Unilever U.K. Central Resources Limited  
 Unilever Overseas Holdings Limited  
 Unilever Australia Limited  
 Lever Brothers Bangladesh Limited  
 Unilever Canada  
 Unilever Cote d'Ivoire  
 Unilever Ghana Limited  
 Unilever Kenya Limited  
 Unilever New Zealand Limited  
 Lever Brothers Pakistan Limited  
 Unilever Singapore Pte Limited  
 Unilever Foods Espana, S.A - Division Frigo  
 Unilever South Africa (Pty.) Limited  
 Unilever Ceylon Limited  
 Unilever Overseas Holdings AG  
 Lever Brothers West Indies Limited  
 Unilever Research Laboratory, Port Sunlight  
 Unilever Research Laboratory, Colworth House  
 BB Kenya Group  
 Unilever N.V.  
 Unilever Overseas Holdings B.V.  
 Unilever Brasil Limiteda.  
 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 Limited  
 BBL Japan K.K.  
 Nippon Lever K.K.  
 Sagit SPA, Italy  
 Unilever Ethiopia  
 Unilever Philippines (Prc), Inc.  
 PT Unilever Indonesia TBK  
 Unilever Thai Trading Limited  
 Unilever Sanayi ve Ticaret Turk A.S  
 Unilever Home & Personal Care USA  
 Lever Egypt SAE  
 Lipton Division, Canada  
 Lever Arabia Limited  
 Lever Brothers Nigeria Limited  
 Lipton Soft Drinks (Ireland)  
 Lever Israel  
 Elida P/S, Vietnam  
 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 Limited  
 Unilever Ukraine  
 Unilever Tuketim Mersin Serbest Bolge Subesi, Turkey  
 Towells Lever LLC ,Arabia

#### Fellow Subsidiaries : (Contd...)

Binzagr Lever Limited,Arabia  
 Unilever Industries Private Limited  
 Digital Securities Private Limited  
 Lever Faberge France  
 Unilever Tanzania Limited  
 Unilever Cambodia Limited  
 Lever Faberge Belgium  
 Unilever Maghreb Export SA, Tunisia  
 Unilever UK & CN Holdings, UK  
 Lipton Limited - 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. Limited, China  
 Unilever Korea  
 Unilever Vietnam  
 Unilever Canada - Foods  
 Unilever Nigeria  
 Lipton Limited (Head Office) / Lipton Tea Supply Limited  
 Unilever Market Development SA  
 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 Uganda Limited  
 Unilever Finland OY  
 Unilever Sverige AB  
 Unilever UK Food Manchester  
 Unilever Kenya Limited  
 Unilever Iran P.J.S.C  
 Unilever Magyarorszang KFT

#### (ii) Joint Ventures :

Kimberly Clark Lever Pvt. Limited  
 Quest International India Limited  
 (Up to 31st May,2006)

#### (iii) Associate:

Vashisti Detergents Limited  
 (Upto 31st December, 2005)  
 Unilever India Shared Service Limited  
 (From 11th October, 2006)

#### (iv) Key Management Personnel:

H. Manwani  
 Douglas Baillie (from 1st March ,2006)  
 M. S.Banga (upto 30th June, 2005)  
 M. K.Sharma  
 D. Sundaram  
 S. Ravindranath  
 A. Adhikari (upto 28th February, 2006)  
 A. K.Mathur  
 D. Buch (from March, 2006)  
 N. Paranjpe (from March, 2006)  
 S. Dube (from March, 2006)  
 J.H. Mehta (upto March, 2005)  
 S.K. Dhall (upto March, 2005)

#### (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, 2006

|   |   | <b>2006</b>      | 2005             |           |
|---|---|------------------|------------------|-----------|
|   |   | <b>Rs. lakhs</b> | Rs. lakhs        |           |
| <b>Holding Company</b>  | : Dividend paid                                   | <b>437,14.37</b> | 397,40.34        |           |
|   | Royalty paid                                      | <b>70,66.90</b>  | 62,11.45         |           |
|   | Interest on 9% Debentures                         | —                | 11.94            |           |
|   | Income from services rendered                     | <b>145,31.87</b> | 121,21.33        |           |
|   | Outstanding balances :                            |                  |                  |           |
|   | - Receivables at the year end                     | <b>37,83.46</b>  | 34,24.25         |           |
| <b>Fellow Subsidiaries</b>  | : Sale of finished goods / raw materials etc.     | <b>710,70.81</b> | 676,74.00        |           |
|   | Sale of fixed assets                              | <b>1,75.56</b>   | —                |           |
|   | Rent Received                                     | <b>1,10.00</b>   | 1,10.00          |           |
|   | Income from services rendered                     | <b>38,17.07</b>  | 31,43.17         |           |
|   | Expenses shared by a fellow subsidiary (Other)    | <b>6.00</b>      | 6.00             |           |
|   | Purchase of goods                                 | <b>69,22.30</b>  | 48,18.84         |           |
|   | Dividend paid                                     | <b>187,02.35</b> | 170,02.14        |           |
|   | Royalty paid                                      | <b>1,64.16</b>   | 1,71.77          |           |
|   | Purchase of Fixed Assets                          | <b>2.18</b>      | —                |           |
|   | Interest on 9% Debentures                         | —                | 5.11             |           |
|   | Advances and loans :                              |                  |                  |           |
|   |   | - Receivables    | <b>194,63.32</b> | 166,39.98 |
|   |   | - Payables       | <b>7,74.82</b>   | 18,59.92  |
| <b>Joint Ventures</b>   | : Purchase of goods                               | <b>135,83.15</b> | 121,41.28        |           |
|   | Other income                                      | <b>3,34.82</b>   | 1,43.86          |           |
|   | Dividend received                                 | <b>3,62.50</b>   | —                |           |
|   | Advances and loans :                              |                  |                  |           |
|   |   | - Payables       | <b>116.49</b>    | 86.11     |
| <b>Associate *</b>  | : Processing charges paid                         | —                | 9,00.46          |           |
|   | Outstanding receivable at the year end            | <b>85.12</b>     | 19.27            |           |
|   | Sale of goods                                     | —                | 4,83.50          |           |
|   | Purchase of goods                                 | —                | 14,71.47         |           |
| * For transactions with associate relating to amalgamation refer Note 14(i) |   |                  |                  |           |
| <b>Key Management Personnel :</b>   |   |                  |                  |           |
|   | Remuneration                                      | <b>13,49.43</b>  | 8,45.83          |           |
|   | Rent paid   | <b>39.49</b>     | 59.07            |           |
|   | Dividend paid                                     | <b>9.58</b>      | 9.24             |           |
|   | Interest on 9% Debentures                         | —                | 0.01             |           |
|   | Sale of Fixed Asset                               | <b>11,80.00</b>  |                  |           |
|   | Loans   |                  |                  |           |
|   | - Outstanding at the year end                     | —                | 0.10             |           |
|   | - Repayments (including interest) during the year | <b>0.10</b>      | —                |           |
| <b>Employees' Benefit Plans where there is significant influence :</b>      |   |                  |                  |           |
|   | Contributions during the year                     | <b>30,54.19</b>  | 24,72.79         |           |
|   | Outstanding payables at the year end              | <b>11.91</b>     | 89.63            |           |
|   | Outstanding receivables at the year end           | <b>16,24.48</b>  | 6,57.41          |           |

**Disclosure of transactions between the Companies in the Group and Related parties and the status of outstanding balances as on 31st December, 2006**

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

|   | 2006<br>Rs. lakhs | 2005<br>Rs. lakhs |
|---|-------------------|-------------------|
| <b>Sale of finished goods / raw materials etc.</b>        |                   |                   |
| Unilever Gulf Free Zone Establishment                     | 226,64.15         | 297,46.51         |
| <b>Sale of fixed assets</b>                               |                   |                   |
| Unilever UK Foods Manchester                              | 1,75.56           | —                 |
| H. Manwani  | 11,80.00          | —                 |
| <b>Expenses shared by fellow subsidiary companies</b>     |                   |                   |
| Digital Securities Private Limited                        | 6.00              | 6.00              |
| <b>Rent received</b>                                      |                   |                   |
| Unilever Industries Pvt. Limited                          | 1,10.00           | 1,10.00           |
| <b>Dividend Received</b>                                  |                   |                   |
| Kimberly Clark Lever Limited                              | 3,62.50           | —                 |
| <b>Processing charges paid</b>                            |                   |                   |
| Vashisti Detergents Limited                               | —                 | 9,00.46           |
| <b>Purchase of goods</b>                                  |                   |                   |
| Kimberly Clark Lever Pvt. Limited                         | 124,79.81         | 106,36.34         |
| Lipton Limited  | 21,48.69          | 25,59.66          |
| Unilever Deutschland GmbH                                 | 30,17.99          | —                 |
| <b>Purchase of Fixed Assets</b>                           |                   |                   |
| Unilever Best Foods Limited, UK                           | 2.18              | —                 |
| <b>Rent paid</b>  |                   |                   |
| M.S.Banga   | —                 | 9.46              |
| H. Manwani  | 9.00              | 6.52              |
| M.K.Sharma  | 6.32              | 22.50             |
| S. Ravindranath   | 7.69              | 6.76              |
| D Sundaram  | 5.29              | —                 |
| A K Mathur  | 4.75              | —                 |
| <b>Other income</b>                                       |                   |                   |
| Kimberly Clark Lever Pvt. Limited                         | 3,34.82           | 1,43.86           |
| <b>Dividend paid</b>                                      |                   |                   |
| Unilever PLC  | 437,14.37         | 397,40.34         |
| <b>Royalty paid</b>                                       |                   |                   |
| Unilever PLC  | 70,66.90          | 62,11.45          |
| <b>Interest on 9% Debentures</b>                          |                   |                   |
| Unilever PLC  | —                 | 11.94             |
| <b>Outstanding balances - payables at the year end</b>    |                   |                   |
| Lipton Limited  | 3,76.88           | 3,55.71           |
| Unilever U.K. Central Resources Limited                   | 2,46.12           | 1,36.10           |
| Digital Securities Private Limited                        | —                 | 1,61.19           |
| Unilever N.V.   | —                 | 1,13.64           |
| Elida Faberge Limited                                     | 1,02.74           | —                 |
| Kimberly Clark Lever Limited                              | 1,16.49           | —                 |
| <b>Outstanding balances - receivables at the year end</b> |                   |                   |
| Unilever Gulf Free Zone Establishment                     | 53,37.72          | 55,13.59          |
| Lipton Limited - UK                                       | 26,48.78          | —                 |
| Unilever PLC  | 37,83.46          | 34,24.25          |
| <b>Income from services rendered</b>                      |                   |                   |
| Unilever PLC  | 145,31.87         | 121,21.33         |
| <b>Remuneration</b>                                       |                   |                   |
| Douglas Baillie   | 4,59.07           | —                 |
| M.K.Sharma  | 2,00.84           | 1,69.59           |
| A.Adhikari  | —                 | 1,17.29           |
| S.Ravindranath  | 1,45.27           | 1,27.74           |
| D.Sundaram  | 1,57.92           | 1,40.03           |
| D.Seegal  | —                 | 88.97             |
| <b>Contributions during the year</b>                      |                   |                   |
| The Union Provident Fund                                  | 5,09.82           | 4,59.33           |
| The Hind Lever Pension Fund                               | 13,79.83          | 10,68.98          |
| Hind Lever Provident Fund                                 | 11,40.94          | 9,64.47           |

## 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, an associate and a joint venture (the Group) as at 31st December, 2006 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 misstatements. 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 presentations. 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. 134,74.84 lakhs as at 31st December 2006 and the Group's share of total revenues of Rs. 172,28.83 lakhs and the net cash outflows amounting to Rs. 8,96.74 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 a subsidiary (for part of the year) and as associate (for part of the year) for the year ended 31st December, 2006 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 subsidiary 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 Standards 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, 2006;
  - (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 : 20th February, 2007*

## Statement pursuant to Section 212 of the Companies Act, 1956

| Name of the Subsidiary Company<br>(1)   | Financial year ending of the Subsidiary<br>(2) | Number of equity shares held<br>(3) | Extent of holding<br>(4)      | 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)<br>(5) | 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<br>(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 (except to the extent dealt with in col. 8)<br>(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<br>(8) |
| Unilever India Exports Limited<br>(Formerly Indexport Limited)<br>Bon Limited                   | 31.12.2006<br>31.12.2006                       | 25,10,000<br>1,00,00,000            | 100.00%<br>100.00%            | Rs. lakhs<br>(12,38.50)<br>(44,45.45)   | Rs. lakhs<br>—<br>—   | Rs. lakhs<br>85,65.35<br>(5,33.97)  | Rs. lakhs<br>60,86.75<br>—  |
| Unilever Nepal Limited<br>(Formerly Nepal Lever Limited)<br>- (Nepalese Rs.)                    | 16.07.2006<br>(Ashaad 32, 2063)                | 7,36,560                            | 80.00%                        | 19,05.26  | 18,41.40  | 68,53.97  | 58,55.06  |
| Modern Food Industries (India) Limited<br>- (Indian Rs.)  | 31.12.2006                                     | 1,47,550                            | 100.00%                       | 11,90.79<br>(14,74.84)  | 11,50.88  | 42,83.73<br>(94,42.80)  | 36,68.85<br>—   |
| Pond's Exports Limited<br>Modern Food and Nutrition Industries Limited*                         | 31.12.2006<br>31.12.2006                       | 98,00,147<br>50,006<br>50,000       | 100.00%<br>100.00%<br>100.00% | (3,35.43)<br>(0.11)<br>(5,01.67)  | —<br>—<br>—   | 2,22.14<br>(5.10)<br>(19.71)  | —<br>—<br>—   |
| Daverashola Estates Private Limited<br>(Formerly Hindustan Kwality Walls Foods Private Limited) | 31.12.2006                                     | 50,006<br>50,000                    | 100.00%<br>100.00%            | (0.11)<br>(5,01.67)   | —<br>—  | (5.10)<br>(19.71)   | —<br>—  |

Changes in Company's interest in Nepal Lever Limited between 17th July, 2006 and 31st December, 2006 : NIL

Material changes between 17th July, 2006 and 31st December, 2006 in respect of fixed assets of, investments of, moneys lent and moneys borrowed (other than meeting current liabilities) by Nepal Lever Ltd. : **NIL**  
\* 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 Hindlevar Trust Limited which were non-profit making organisations.

|                 |                                  |
|-----------------|----------------------------------|
| Douglas Baillie | <i>Managing Director and CEO</i> |
| D. Sundaram     | <i>Finance Director</i>          |
| Raju Thomas     | <i>Vice President - Finance</i>  |
| Ashok Gupta     | <i>Company Secretary</i>         |

Mumbai : 20th February, 2007

## CODE OF CONDUCT

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.

## Code of business principles

### Introduction

Unilever has earned a reputation for conducting its business with integrity and with respect for the interests of those our activities can affect. This reputation is an asset, just as real as our people and brands.

Our first priority is to be a successful business and that means investing for growth and balancing short term and long term interests. It also means caring about our consumers, employees and shareholders, our business partners and the world in which we live

To succeed requires the highest standards of behaviour from all of us. The general principles contained in this Code set out those standards. More detailed guidance tailored to the needs of different countries and companies will build on these principles as appropriate, but will not include any standards less rigorous than those contained in this Code.

We want this Code to be more than a collection of high sounding statements. It must have practical value in our day to day business and each one of us must follow these principles in the spirit as well as the letter.

### 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 business 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 applied throughout Unilever.

The Group Chief Executive is responsible for implementing these principles and is supported in this by the Corporate Code Committee comprising the General Counsel, the Joint Secretaries, the Chief Auditor, the SVP HR, the SVP Communications and the Corporate Code Officer, who presents quarterly reports to the Unilever Executive.

Day-to-day responsibility is delegated to all senior management of the regions, categories, functions and operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs, and are supported in this by Regional Code Committees comprising the Regional General Counsel together with representatives from all relevant functions and categories.

Assurance of compliance is given and monitored each year. Compliance with the code is subject to review by the board supported by the Corporate Responsibility and Reputation Committee and for financial and accounting issues the Audit Committee.

Any breaches of the Code must be reported in accordance with the procedures specified by the General Counsel. 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.



# Hindustan Lever Limited

## Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 74th Annual General Meeting of Hindustan Lever Limited will be held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020 on Friday, May 18, 2007 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended December 31, 2006, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To elect Directors.
4. To appoint M/s. Lovelock & Lewes, Chartered Accountants, Mumbai as statutory auditors and fix their remuneration for the year ending December 31, 2007.

### SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Nitin Paranjpe, be and is hereby elected as a Director of the Company."

6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Sanjiv Kakkar, be and is hereby elected as a Director of the Company."

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and in terms of the provisions of Sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII as amended, approval of the members be and is hereby accorded to the appointment of Mr. Nitin Paranjpe as a Wholetime Director of the Company, to hold office till the conclusion of the next Annual General Meeting in terms of the Articles of Association of the Company.

RESOLVED FURTHER THAT the remuneration of Mr. Nitin Paranjpe in his capacity as a Wholetime Director be fixed by the Board and thereafter revised from time to time, within the limits approved by the members by way of a Special Resolution adopted at their meeting held on May 15, 1998 as amended by the Special Resolution passed on April 25, 2000."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and in terms of the provisions of Sections 198, 269 and 309 and other applicable provisions, if any, of the

Companies Act, 1956, read with Schedule XIII as amended, approval of the members be and is hereby accorded to the appointment of Mr. Sanjiv Kakkar, as a Wholetime Director of the Company, to hold office till the conclusion of the next Annual General Meeting in terms of the Articles of Association of the Company.

RESOLVED FURTHER THAT the remuneration of Mr. Sanjiv Kakkar in his capacity as a Wholetime Director be and is hereby fixed by the Board and thereafter revised from time to time, within the limits approved by the members by way of a Special Resolution adopted at their meeting held on May 15, 1998 as amended by the Special Resolution passed on April 25, 2000."

9. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT subject to requisite statutory approvals in terms of Section 21 of the Companies Act, 1956 and other applicable provisions, if any, the name of the Company be changed from "Hindustan Lever Limited" to "HINDUSTAN UNILEVER LIMITED" and accordingly, the name of Hindustan Lever Limited wherever it appears in the Memorandum and Articles of Association of the Company be substituted by the name "Hindustan Unilever Limited"."

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxies to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from April 24, 2007 to May 7, 2007 (both days inclusive) in connection with the Annual General Meeting.
4. The final dividend for the year ended December 31, 2006 as recommended by the Board, if sanctioned at the meeting, will be payable on May 22, 2007 to those members whose names appear in the Company's Register of Members on May 7, 2007. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories for this purpose as on April 23, 2007.

Registered Office:  
Hindustan Lever House,  
165-166, Backbay Reclamation,  
Mumbai 400 020.  
Dated: February 20, 2007.

By Order of the Board  
  
(Ashok K. Gupta)  
Company Secretary

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

### RESOLUTIONS AT ITEM NOS. 5 to 8

Mr. M.K. Sharma, Vice Chairman and Wholetime Director and Mr. S. Ravindranath, Managing Director – Foods, are retiring from the services of the Company, upon attaining the age of superannuation, with effect from May 31, 2007 and April 30, 2007 respectively.

Accordingly, both Mr. Sharma and Mr. Ravindranath are not seeking re-election at the forthcoming Annual General Meeting of the Company. As of May 19, 2007 there will be two vacancies on the Board due to retirement of Mr. S. Ravindranath on April 30, 2007 and Mr. M.K. Sharma ceasing to be a Director on the conclusion of the AGM on May 18, 2007.

To fill up with vacancies caused by the retirement of Mr. Sharma and Mr. Ravindranath, the Company proposes to appoint Mr. Nitin Paranjpe and Mr. Sanjiv Kakkar as Wholetime Directors of the Company in accordance with Section 269 read with Section 314 of the Companies Act, 1956 and Article 111 of the Articles of Association of the Company. Notices have been received pursuant to Section 257 of the Companies Act, together with necessary deposits of Rs. 500/- each proposing the appointment of Mr. Nitin Paranjpe and Mr. Sanjiv Kakkar to the Board of Directors of the Company.

**Mr. Nitin Paranjpe (43)** after obtaining a degree in BE (Mech) and MBA in Marketing (JBMS) from Mumbai joined the Company as a Management Trainee in 1987. In his early years in the Company, Nitin worked as Area Sales Manager – Detergents and then Product Manager – Detergents. In April 1996, he became the Branch Manager, Chennai and in February, 1999 was appointed a member of the Project Millennium team. In 2000, he moved to Unilever, London and was involved in a review of the Organisation Structure. During 2001, he was Assistant to the Unilever Chairman & Executive Committee in London. On his return to India in 2002, he became the Category Head – Fabric Wash & Regional Brand Director (Asia) for Laundry and Household Cleaning (HHC) Brands. In 2004, he became Vice President – Home Care (Laundry & HHC) India responsible for the top and bottom-line of the Homecare business. Effective March 2006, Nitin is the Executive Director for the Home & Personal Care business.

**Mr. Sanjiv Kakkar (44)** is BA (Economics) and PGDM from IIM Ahmedabad with 23 years work experience. Sanjiv joined the Company in June, 1984 and has worked in various Sales and Marketing assignments. His marketing experience spans across categories including Beverages, Personal Products and Oral & Hair Care. He has also had key stints as Category Head of Oral and General Manager – Sales & Customer Management of Personal Products. He was appointed Vice President – Oral & Hair Care in May 2004. In March 2006, Sanjiv was appointed as Executive Director - Foods and joined the Management Committee on 1st January 2007.

In so far as the remuneration of Mr. Nitin Paranjpe and Mr. Sanjiv Kakkar as Wholetime Directors, is concerned, the shareholders have by a Special Resolution already approved the maximum limits within which the authority has been delegated to the Board

to fix the remuneration of Wholetime and Managing Directors of the Company.

Accordingly, the Resolutions at Item No. 7 and 8 are proposed to seek approval of the members for appointment of Mr. Nitin Paranjpe and Mr. Sanjiv Kakkar as Wholetime Directors, as contemplated in Section 269 of the Companies Act, 1956 and other applicable provisions, if any on such remuneration as may be fixed by the Board/Committee thereof and thereafter revised from time to time, within the maximum limits already approved by the shareholders by a Special Resolution at the Annual General Meeting held on May 15, 1998, read with the Special Resolution passed at the Annual General Meeting held on April 25, 2000.

None of the Directors is concerned or interested in this resolution. The Board commends the resolutions at item nos. 5 & 6 and 7 & 8 for approval of the members.

### RESOLUTION AT ITEM NO. 9

Over the last fifteen years, consequent to significant measures of financial and economic liberalization adopted by India, the Indian economy has integrated itself with global economy and global markets. Brand development activities are now being carried out at a global level rather than only local or regional level, albeit from dispersed locations/centres. Electronic media and internet are increasingly playing a significant role in consumer communication in FMCG sector. Likewise, with rapid growth of modern trade and presence of international majors directly or through collaboration with Indian partners is beginning to significantly alter the customer profile.

Your Company belongs to Unilever Group, a well-known Fortune 500 Group operating in over 100 countries. In the context of developments referred to above, there is an acknowledged need for greater alignment of brands, packaging, corporate name, etc. with the parent company, if Company has to benefit from its international association with Unilever and global presence of the brands that it markets in India. In order to harness the synergies of global reputation and global brands of Unilever both with consumers and customers and to reflect the economic ownership of operating companies within the Group, it has been proposed within Unilever that all Group companies worldwide use "UNILEVER" as a part of their corporate name.

The current name of the Company Hindustan Lever Limited was adopted in 1956, consequent to the amalgamation of Hindustan Vanaspati Manufacturing Company Limited and Lever Brothers (India) Limited. The current corporate name enjoys enormous goodwill and reputation with all stakeholders in India, including in particular, consumers, customers, suppliers, employees, government, regulators, banks & financial institutions and the media. Equally going forward alignment of the corporate name with a leading global corporation can be a source of considerable strength and could provide considerable synergies to harness Unilever's global scale and size for the benefit of the Indian business both in domestic and export markets. It could also assist

in attracting and retaining talent both locally and internationally – a key imperative for business success in the present day context.

After considerable deliberation, it has been proposed that a minimal change to the corporate name should be made to achieve global alignment, while fully protecting the goodwill and reputation associated with the current corporate name. It has accordingly been decided that subject to members' approval, the corporate name of your Company be changed from "Hindustan Lever Limited" to "HINDUSTAN UNILEVER LIMITED". The Company believes that the proposed name change provides the optimum balance between protecting the heritage of the Company and the future benefits and synergies of global alignment with the corporate name of Unilever. Most importantly the proposed name retains "HINDUSTAN" as the first word in its name to reflect Company's continued commitment to local economy, consumers and customers and employees. Members are aware that in the recent years your Company has adopted and subscribed to a vision Statement: "To earn the Love and Respect of India by making a Real Difference to every Indian". The Company remains committed to pursue this vision as it believes that this will not only be key to its business success, but would also make business sustainable and enduring.

Your Company has deep roots in India by virtue of its operations spanning over seventy years and its values and culture represent a fine balance between a global corporation and a local company with significant local shareholding. It is believed that the proposed name would continue to provide and reflect this balance in coming years.

The Registrar of Companies has confirmed that the new name is available for registration under Section 20 of the Companies Act, 1956, and subject to the resolution being passed, an

application will be made to the Central Government for approval to the change of name under Section 21 of the Act.

None of the Directors is concerned or interested in this resolution. The Board commends passing of the Special Resolution set out at Item No. 9 of the Notice convening the meeting.

The Directors of the Company may be deemed to be concerned or interested in the special businesses as set out in the Notice pursuant to the extent of shares held by them in the Company as would appear from the table below.

| Name of the Director | No. of Shares | % holding |
|----------------------|---------------|-----------|
| Mr. H. Manwani       | 22130         | 0.001     |
| Mr. D. Baillie       | Nil           | NA        |
| Mr. M.K. Sharma      | 51880         | 0.002     |
| Mr. S. Ravindranath  | 52546         | 0.002     |
| Mr. D. Sundaram      | 22020         | 0.001     |
| Mr. A. Narayan       | Nil           | NA        |
| Mr. V. Narayanan     | 19390         | 0.001     |
| Mr. D.S. Parekh      | 38250         | 0.002     |
| Prof. C. K. Prahalad | Nil           | NA        |
| Mr. S. Ramadorai     | Nil           | NA        |

Registered Office :  
Hindustan Lever House,  
165-166, Backbay Reclamation,  
Mumbai 400 020.  
Dated: February 20, 2007.

By Order of the Board

  
(Ashok K. Gupta)  
Company Secretary





# HINDUSTAN LEVER LIMITED

Regd. Office : Hindustan Lever House, 165/166, Backbay Reclamation, Mumbai - 400 020.

## Proxy

I/We .....  
of ..... being  
a Member/Members of the above named Company, hereby appoint .....  
of ..... or failing him  
..... of .....  
..... as my/our Proxy to attend and vote for me/us on my/our  
behalf at the 74th Annual General Meeting of the Company, to be held on Friday, 18th May, 2007 at  
3.00 p.m. and at any adjournment thereof.

\* I wish my above Proxy to vote in the manner as indicated in the box below :

| Resolutions  | For | Against |
|--|-----|---------|
| 1. Adoption of Report and Accounts   |     |         |
| 2. Declaration of Dividend   |     |         |
| 3. Re-election of the following persons as Directors :   |     |         |
| a) Mr. H. Manwani  |     |         |
| b) Mr. A. Narayan  |     |         |
| c) Mr. V. Narayanan  |     |         |
| d) Mr. D. S. Parekh  |     |         |
| e) Prof. C. K. Prahalad  |     |         |
| f) Mr. S. Ramadorai  |     |         |
| g) Mr. D. Sundaram   |     |         |
| 4. Appointment of Auditors and to fix their remuneration   |     |         |
| 5. Appointment of Mr. Nitin Paranjpe as a director of the Company.                                   |     |         |
| 6. Appointment of Mr. Sanjiv Kakkar as a director of the Company.                                    |     |         |
| 7. To appoint Mr. Nitin Paranjpe as a Whole Time Director of the Company and fix his remuneration.   |     |         |
| 8. To appoint Mr. Sanjiv Kakkar as a Whole Time Director of the Company and fix his remuneration.    |     |         |
| 9. Approve change of name of the Company from Hindustan Lever Limited to Hindustan Unilever Limited. |     |         |

Signed this \_\_\_\_ day of \_\_\_\_\_ 2007.

Reference Folio No./DP ID & Client ID

No. of shares

Signature

Affix  
Re. 1/-  
Revenue  
Stamp

- NOTES :
- The Proxy, to be effective, should be deposited at the Registered Office of the Company at Hindustan Lever House, 165/166, Backbay Reclamation, Mumbai 400 020 not later than FORTY-EIGHT HOURS before the commencement of the aforesaid meeting.
  - A Proxy need not be a Member of the Company.
  - \* This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate. Should you so desire, you may also appoint the Chairman or the Company Secretary of the Company as your Proxy, who shall carry out your mandate as indicated above in the event of a poll being demanded at the meeting.







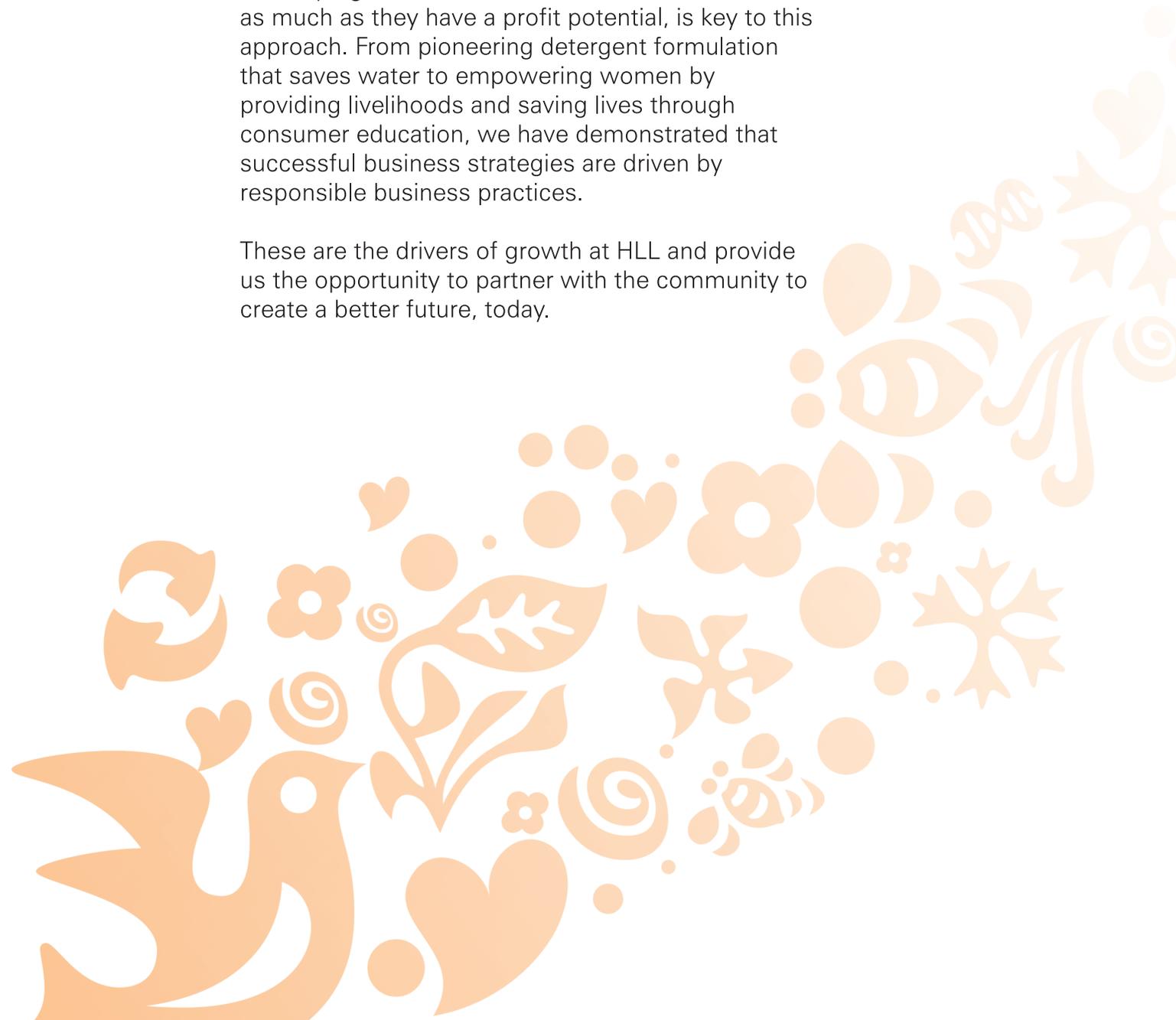
## **Corporate Responsibility**

### **A way of Life**

Doing business responsibly and successfully are two sides of the same coin. Corporate responsibility isn't philanthropy, it is business. At HLL, this is about creating social benefits through our brands and through our interactions as a business with society. It's the business of doing business responsibly.

Developing innovations which have a social benefit, as much as they have a profit potential, is key to this approach. From pioneering detergent formulation that saves water to empowering women by providing livelihoods and saving lives through consumer education, we have demonstrated that successful business strategies are driven by responsible business practices.

These are the drivers of growth at HLL and provide us the opportunity to partner with the community to create a better future, today.





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**