Report of the Directors and Management Discussion & Analysis

To the Members,

Your Directors have pleasure in presenting the Seventy Fifth Annual Report of the Company along with Audited Accounts for the year ended 31st December, 2007.

1. PERFORMANCE OF THE COMPANY

1.1 Results

For the year 2007, your Company achieved an overall turnover growth of 13.3%; both Home and Personal Care (HPC) and Foods businesses grew by 12.3% and 20.2% respectively. Profit After Tax registered a growth of 14.9%. The summarised figures are given below :

(Rs. in Lakhs)

	2007	2006
Turnover, net of excise	**13717,75**	12103,39
Profit before tax	**2184,53**	1861,68
Tax on profits	**(415,47)**	(322,01)
Exceptional items	**156,41**	315,70
Net profit	**1925,47**	1855,37
Dividend (incl. tax on distributed profits)	**(2331,62)**	(1511,38)
Transfer to General Reserve	**(200,00)**	(191,00)
Profit & Loss account balance carried forward	**197,50**	803,65

Earnings Per Share for the year 2007 at Rs. 8.73, reflects the growth of Net Profit (after exceptional items) by 3.8%. The Board of Directors have recommended a final dividend of Rs. 3/- per share. Total dividend to our Shareholders for 2007 stands at Rs. 9/- per share, and includes the interim dividend of Rs. 3/- per share paid in August 2007 and Rs. 3/- per share paid in November 2007 as Special Platinum Jubilee Dividend to commemorate your Company's 75th year of operations in the Country.

1.2 Turnover

Turnover, net of excise, in respect of continuing businesses increased by Rs.1,614 crores and is 13.3% higher than previous year. This increase results from more volumes sold, better mix of products, and selective price increases effected during the year. The details of Sales, net of excise, and other revenue by segments are given below:

(Rs. in Lakhs)

	2007		2006	
	Sales	**Others***	Sales	Others*
Soaps, Detergents & Scourers	**6328,80**	**45,72**	5563,41	32,48
Personal Products	**3614,76**	**57,06**	3309,65	50,14
Beverages	**1520,40**	**12,38**	1325,96	4,78
Foods	**532,98**	**4,76**	380,46	4,45
Ice Creams	**158,49**	**2,15**	134,42	2,65
Exports	**1342,26**	**—**	1278,89	—
Others	**226,88**	**58,39**	120,11	60,14
Less : Inter segment revenue	**(6,82)**	**—**	(9,50)	—
Total	**13717,75**	**180,46**	12103,39	154,64

* Others represents service income from operations, relevant to the respective businesses.

1.3 Summarised Profit and Loss Account

(Rs. in Lakhs)

For the year ended 31st December,	2007	2006
Net sales	**13717,75**	12103,39
Other operational income	**224,82**	191,46
Total	**13942,57**	12294,85
Operating expenses	**(11832,05)**	(10455,33)
PBDIT	**2110,52**	1839,52
Depreciation	**(138,36)**	(130,16)
PBIT	**1972,16**	1709,36
Interest income (net)	**212,37**	152,32
PBT	**2184,53**	1861,68
Taxation	**(415,47)**	(322,01)
PAT (before exceptional items)	**1769,06**	1539,67
Exceptional items (net of tax)	**156,41**	315,70
Net profit	**1925,47**	1855,37

2. RESPONSIBILITY STATEMENT

The Directors confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from same;

b) 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) 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; and

d) 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 and lays strong emphasis on transparency, accountability and integrity.

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) form part of the Annual Report.

In terms of sub-clause (v) of Clause 49 of the 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 Report.

4. PLATINUM JUBILEE YEAR

17th October, 2007 marked the beginning of your Company's 75 years of operations in India. Your Company has had the privilege of being an integral part of India's commercial and social landscape, touching the lives of over 700 million Indians, every single day. Our diversified portfolio of powerful brands has been built over the years with meaningful innovations, outstanding quality and great consumer experiences. Many of these brands are household names and icons in the categories in which they operate.

Over the last 75 years, your Company has always been guided by the belief that "What is good for India is good for Hindustan Unilever", thereby integrating social good with business goals. This solemn belief will continue to guide us in everything that we do for the next 75 years and beyond.

On this occasion, your Directors wish to convey their sincere gratitude to all the shareholders, customers, employees, business partners, Governments and all other stakeholders in the Company, for their trust and goodwill that helped your Company attain its current stature. Their unstinting support and understanding have been the key to the Company's success over these 75 years. Your Directors look forward to this continued support as we strive to fulfill our vision of "making a difference to the life of every Indian".

5. NEW CORPORATE IDENTITY OF THE COMPANY

Approval from Shareholders of the Company (in the 74th Annual General Meeting held on 18th May, 2007) and from the Government for the change of name to 'Hindustan Unilever Limited' have been obtained; your Company's new corporate identity represented by the new logo and name 'Hindustan Unilever Limited' has come into effect. The new name reflects the right balance between the Indian heritage of the Company and the synergies of its global alignment with Unilever. The new logo symbolizes the Company's mission of 'Adding Vitality to Life'.

6. BUY BACK OF EQUITY SHARES OF THE COMPANY

The Board of Directors in their meeting held on 29th July, 2007 approved buy back of Company's fully paid up equity shares of Re. 1/- each, at a price not exceeding Rs. 230/- per equity share, up to an aggregate maximum amount of Rs. 630 crores, i.e. within the limit of 25% of the total paid-up equity share capital and free reserves of the Company as on 31st December, 2006. The approval of the shareholders for the buy back was obtained through postal ballot, the results of which were declared on 14th September, 2007.

The buy back was made out of free reserves and the share premium account of the Company through open market purchases through the Bombay Stock Exchange Limited and National Stock Exchange of India Limited using their nationwide electronic trading facilities, as per the provisions contained in the SEBI (Buy Back of Securities) Regulations, 1998. The buy back offer was open from 3rd October, 2007 to 31st January, 2008.

The cumulative number of Equity Shares bought back under the scheme is 3,02,35,772 shares for a total consideration of Rs. 626.27 crores, at an average price of Rs. 207.13 per share. The paid-up capital of the Company after the extinguishment of shares bought back under the scheme stood at Rs. 217.75 crores comprising 2,17,74,63,355 equity shares of Re.1/- each.

7. MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

In order to avoid duplication and overlap between the Directors' Report and Management Discussion and Analysis, your Directors present a composite summary of performance of the various businesses and functions of the Company.

7.1 Home and Personal Care Business (HPC)

The HPC business is made up of Fabric Wash, Household Care, Personal Wash and Personal Care categories which include products like toothpaste, shampoo, skin care, deodorants and colour cosmetics. In the face of an intense competitive scenario, the business for the third consecutive year grew in double digits, and ahead of market. The business had to cope with the challenge of severe cost pressures on account of unprecedented increase in crude petroleum prices and steep escalations in vegetable oil costs. High crude prices impacted a range of input prices like chemicals, packaging and freight. Cost increases were successfully tackled through active cost reduction programmes across the entire supply chain and judicious price increases. Overall margin of the business was well managed and improved over 2006.

Brands constitute one of the most valuable assets of your Company. Proper and adequate investment in brands is therefore critical. The business continued to invest appropriately in advertising and promotional activities. To enhance the effectiveness of these expenditures, world class quantitative tools such as Advertising Budget Guidelines, Minimum Invest Levels, Market Activities Costing and Dynamic Resource Allocation were used and fully leveraged. Your Board is appreciative of Unilever for providing unlimited access to such outstanding Intellectual Properties for the benefit of your business.

7.1.1 Soaps and Detergents

Soaps and Detergents segment recorded a robust growth of 13.9%. This is a notable achievement, given that this segment has been facing the brunt of cost and competitive pressures.

Fabric Wash

This category continued to be vigorously contested amongst the players. Very good growth was achieved on the strength of an excellent brand portfolio; Surf, Rin, Wheel and Sunlight addressed the needs of consumers at different income levels. All these brands did very well and the Company's overall market share for the category improved.

Fabric Wash witnessed severe cost pressures for the fourth consecutive year. Crude oil prices continued to rule high. Robust supply chain savings helped partly mitigate the cost impact, and selective price corrections were implemented. Margins were thus managed well in the context of cost and competitive constraints.

Rin Supreme Bar was successfully migrated to Surf Excel Bar. Strong growth achieved during the year is a clear evidence of this success. Surf franchise recorded strong sales performance with the turnover crossing Rs. 1000 crores for the first time. The relaunch of Sunlight with superior wash properties enabled it to reinforce its competitiveness in strong markets like West Bengal and Kerala.

Wheel is the largest detergent brand in India, with volume of sales exceeding 8 lakhs tonnes. Wheel continued to grow strongly on the excellent value it offers to consumers. The popular Smart Shrimati programme entered its second season with record viewership and participation which helped Wheel grow ahead of the market and gain market share.

Household Care Products

Dish wash, led by Vim, continued to grow well. The Vim Dish wash Liquid launched in 2006 has been extended nationally and has been one of the key contributors to growth. Domex offers a powerful proposition for floor and toilet cleaning and is being established through marketing initiatives and consumer communication. The brand performed well, albeit on a small base.

Personal Wash

Personal wash category performed well with brands like Lux, Lifebuoy, Hamam and Dove recording good growth. The category however faced cost pressure due to very steep increase in vegetable oil prices (increased almost 50% over the previous year) partly due to diversion of oils for production of bio fuels. Margins were managed through a series of actions such as buying efficiencies, savings in supply chain and selective price increases.

Lux grew very well during the year on the back of variants like Haute Pink and Crystal Shine. The brand continued to gain market share. Hamam grew significantly ahead of the market helped by the Ubtan variant launched in 2006.

Lifebuoy Pink did well to sustain its growth during the year. New variants like Lifebuoy Care and Deo-fresh contributed to the overall good performance of the brand. Dove, in the premium soap category, strengthened it's position further, helped by good marketing actions.

Overall market shares marginally declined, with gains in Lux being, offset in some other brands.

Protecting our market share and margins in the face of continued increase in input costs and a significant escalation in competition will be the key challenge for the business in 2008.

7.1.2 Personal Products

Personal product categories like Hair Care, Skin Care, Toothpaste, Deodorants and Colour Cosmetics offer high potential for your Company. Per capita consumption is currently low in these categories and is poised to grow with increasing income levels and awareness in personal hygiene and grooming.

Competitive activity remained high across the board, with existing players offering a varied choice of brands and propositions and new players entering the arena. Your Company responded proactively to these challenges. Overall growth achieved during 2007 was satisfactory, with performance in the second half significantly better compared to the modest performance of the first half. The category was also affected by supply chain disruptions in third quarter, which are now resolved. Overall margins improved over 2006.

Hair

Hair Care continues to be an attractive category given the potential for higher consumption. Your Company strengthened its leadership position by growing its market share through the year by a combination of new product launches and re-launch of existing products on improved benefit platforms and affordable price-point offerings. The premium Dove range of shampoos and conditioners was launched during the second quarter of 2007. A combination of high quality advertising and active field marketing, helped the brand to perform well and achieve excellent results in the first full year.

Clinic Plus continued to grow strongly and strengthened its position as the single largest shampoo brand. The brand was re-launched in the fourth quarter of 2007. Clinic All Clear was also relaunched and a new men's range was introduced. Sunsilk performed well and is poised to gain from further innovation in 2008.

Skin

2007 was an exciting year for the Skin category. The Fair and Lovely (FAL) Multivitamin re-launch in the second quarter was very successful and helped the brand to regain growth in the second half of the year. There is significant opportunity in the top end skin category with rise of per capita income, urbanization and growth of modern and specialist channels for distributing top end products. Investment in Pond's, as the premium Skin Care brand, was scaled up considerably and several new innovations were brought to the market. Pond's consumers now have a range of products based on world class technology to meet their anti-ageing, moisturizing and skin lightening needs. Vaseline and Lakme Skin performed satisfactorily. Your Directors believe given the low per capita consumption levels, the Skin Care category has high potential and through our portfolio of brands, backed up by a strong Research and Development programme, your Company is well placed to capitalise on opportunities.

Toothpaste

Close-up continued to do well recording growth ahead of the market for the second year in a row, led by a number of good activation programmes and launch of special edition variants. "Pepsodent Kids" was launched in the fourth quarter. This along with the new rural pack launch and a new variant offering in the first quarter of 2008 should support accelerated growth in the year ahead. The category however was impacted by shortage of stocks for about three months in the year on account of the lock-out in Doom Dooma factory in Assam. Supplies have become normal with the lifting of the lock-out and the category is well positioned for improved performance in 2008.

Colour Cosmetics and Deodorants

Colour cosmetics under Lakme range achieved good growth for the year. The launch of "9 to 5" premium range, together with good trade and consumer activation helped in strong performance. The winter range of Lakme Free Spirit launched in the third quarter did well in the market.

Deodorants market is in a nascent stage with significant upside potential for future. Both Axe and Rexona brands achieved good growth.

Kimberly Clark Lever Pvt. Ltd. (KCLL)

KCLL is a joint venture between your Company and Kimberly Clark Corporation, USA. The turnover of this company continues to grow strongly with good underlying volume growth in both infant care and feminine care products. Brands like Huggies and Kotex continued to gain strong ground in their categories. During the year, new products were introduced at various price points aimed at developing the market.

7.2 Foods

The Foods Division of your Company comprises Beverages, Processed Foods, Ice-Creams and Modern Foods businesses. The Division recorded strong growth in 2007.

7.2.1 Processed Foods

The packaged foods business sustained the momentum of the last two years and delivered a strong performance in 2007.

Kissan is one of the most trusted foods brands among Indian consumers. The re-launch of Kissan during 2006 has helped to provide strong growth momentum to the brand during this year. A new variant in ketchup, "Chatakdar" was launched in December quarter giving a significant thrust to the Kissan portfolio.

The entire range of Knorr portfolio has been re-launched during the year with enhanced consumer benefits. Knorr soups enjoy a large share in the soups market. To expand the market and leverage our position, your Company has introduced a new range of Chinese meal-maker products; this has been very well received by the consumers.

The staples business of Annapurna grew modestly. Salt sales were solid and in an high commodity cost environment, profitability improved over last year. In December Quarter, Bertolli Olive Oil was added to the portfolio of processed foods. Bertolli Olive oil is imported and positioned to serve health conscious consumers.

Your Company has dedicated resources to drive growth in Foods Sales to institutions like restaurants, hotel chains etc. Although currently small, the business is progressing well, and has the potential for scale up by leveraging the existing supply chain and product development capabilities of Foods Division.

Step change and continuous improvements in supply chain in Foods have helped to deliver freshness in our products to the consumers. This will continue to be an important aspect of Foods business for your Company.

With a strong momentum behind all brands and categories, your Company looks forward to 2008 with confidence and excitement to drive Processed Foods.

7.2.2 Beverages

Tea

Packet tea market continued to be extremely competitive with national, regional and local players vying for increased share and volumes. The business performed well during the year, with all brands under the Brooke Bond franchise achieving growth. Value market shares either improved or were steady across brands except Brooke Bond Taaza, resulting in marginal erosion of our overall value share. Prices of garden tea remained steady during large part of the year. In 2007, Brooke Bond '3 Roses' and Brooke Bond 'Red Label' were re-launched with improved propositions. A new concept tea "Taj Mahal Dessert Teas" has been launched to add excitement and image to the premium segment of our tea portfolio. Lipton continued to grow strongly in out-of-home vending channel through acquisition of some major national and regional clients and by strong activation at key consumer points. Advertising spends were increased across all tea brands.

Tea represents the largest share in the Foods portfolio. Focus on brands, consumer benefits through price point packs, quality, freshness and appropriate promotions will continue in this category.

Coffee

The business had yet another excellent year led by strong growth in 'Bru' Instant Coffee. Strong trade and consumer communications helped us to consolidate our leadership in the branded coffee market which includes roasted and ground coffee. Bru Cappuccino continued to attract new consumers. During the year, your Company has introduced ice cappuccino coffee which received good consumer acceptance and results.

Coffee bean prices witnessed significant increases during the year causing pressure on profit margins for the category. Profitability was managed with strong efficiency improvements and judicious price increases. However, overall margins were lower compared to last year.

Your Company will continue to focus and invest in Bru.

7.2.3 Ice-creams

Building on the success over the last few years, Ice- creams business witnessed a very good year in 2007, achieving significant sales growth. The business continued to improve its underlying profitability with scale and efficiencies. Focus on availability, affordability and acceptability was pursued. Unilever has excellent innovation capabilities in the category on a global scale, which is leveraged fully for the benefit of the business.

During the year, Moo, a milk based ice-cream product was introduced in stick and brick formats, positioned on a nutrition and vitality platform to address the calcium requirements of children. Further, a range of innovations such as 'Cornetto Flirty Strawberry' and 'Cornetto Cookies and Cream' and 'Caramel Crunch' have been introduced in the impulse and in-home segments.

7.2.4 Modern Foods

Modern Foods was merged with the Company during the current year. Manufacturing operations are being carried out in six large towns with brand franchisee arrangements in many other parts of the country. Significant investments in product quality, safety, distribution, cost saving programmes and innovation have been made since the acquisition of the business in 2000. Unviable operations have been restructured or pruned, resulting in elimination of losses and achievement of positive operating margin. Modern, as a Foods brand, continues to command good equity with consumers. It is your Company's intention to examine various alternatives to leverage the brand better in the area of Processed Foods.

During 2007, Modern business delivered growth through a combination of higher volumes, better product mix and price corrections where called for.

7.3 Customer Management

During the year, your Company worked on consolidating its strong position with customers and channels in general trade. There was a special focus on setting up world class distributor management system to derive better values from Company's sales strategies and operations. This focus has ensured that the Customer Management system is best equipped to ensure speed to deliver brand innovations and activation schemes to market.

Your Company continued to invest in building capabilities and improving processes for the organised retail environment (Modern Trade) which is expanding rapidly across the Country. This retail format provides consumers with a different shopping experience. Therefore, the Company is committing resources to understand the changing shopping habits and to deliver apt solutions to grow the business across categories. Your Company is leading many initiatives in the areas of customer service, category management and merchandising to deliver best practices in this area.

As Modern Trade in India is evolving very rapidly, your Company's strategy for winning in this growing retail market is to win at the point-of-purchase with shoppers and deliver best-in-class service to our Modern Trade customers. Your Company entered into a joint venture with Smollans Holdings of South Africa to develop and increase the capabilities required to meet the overall merchandising demands in Modern Trade. This JV will bring in world class execution excellence in the market and build the right capabilities to deliver the Company's sales and marketing strategy in Modern Trade.

The emerging hybrid customer structure (comprising General Trade, Modern Trade and Specialised stores) requires new "route to market" approaches to service customers and distributors. The Company is equipping itself with capability and revitalising the distribution and customer service network to face the challenges of the new market dynamics. This will ensure that we are competitive and meet customer service expectations fully.

Your Company is also investing heavily in IT application systems in Sales and Distribution area to improve speed of information, quality of service and productivity of human resources substantially. This is further covered under Section 14 of this report.

7.4 Supply Chain

Indian customer landscape has changed with the significant increase in the contribution of Modern Trade to the FMCG market and high expectations of General Trade from the Company. To meet the needs of this change, your Company has placed greater focus on customer service. A Customer Service Excellence team has been set up within the Supply Chain function to partner closely with Customer Development. This is to ensure the delivery of outstanding service to customers and a high level of availability on shelf of your Company's products. With the market getting segmented, it will also build our capability to service the emerging needs of different types of sales channels. Thus, we shall win with customers and be their most preferred partners.

Total Productivity Management (TPM), a worldwide tool to minimize wastages and increase efficiencies by reducing breakdown time, is firmly embedded in the work culture of the organization. This has enabled the performance of factories to improve continuously. Gains in productivity and cost efficiencies, improved responsiveness to changes in the market demand and high levels of quality as delivered on shelf are being achieved.

Substantial investments have been made to increase capacities in Kalwa and Nasik factories to support aggressive growth plans in Foods category. Doom Dooma factory after a brief industrial relations problem has turned around and is now progressing towards being a vibrant and productive factory.

An organizational effort to reduce costs resulted in your Company meeting the challenge of rising input costs with strong cost efficiency programmes covering the entire Supply Chain. There were targeted projects in areas like buying, logistics, energy and capacity utilisation to generate sustained cost savings to partly mitigate the input cost inflation.

7.5 Exports Business

Export businesses had a good year, growing by 5%, despite the pressure of the rupee appreciation; in Dollar terms, the growth was in excess of 15%. During the year, some of the activities were restructured to prune costs and improve productivity. Product portfolios were rationalized to exit from low value added segments. Exports comprising Home and Personal Care, Food and Beverages and Specialties are now managed under one structure to drive synergies and to share expertise across businesses. These steps will improve the underlying performance of exports going forward.

7.5.1 Home and Personal Care (HPC) Exports

The HPC Exports portfolio continued its growth momentum of many years. Skin, Oral and Hair categories grew handsomely aided by executing innovations required by customers as well as creating capacity in time for improved flexibility and better customer service. Unilever Companies across geographies like Europe and Middle East continue to be our major customers, accounting for greater than 80% share of HPC Exports. The Pears brand, which is marketed by your Company globally, grew strongly with the key markets of UK and GCC showing robust growth.

Your Company consolidated its position as a major sourcing hub for Unilever. A state-of-the-art modern plant has been commissioned at Kandla, for producing top end Skin Care products, within a record time of 8 months. Kandla also obtained USFDA approval and is working towards Canadian MOH certification. These will enable your Company to deliver and service high quality/high value added skin care products to the developed markets. Business is making significant investment in Kandla for augmenting capacities for skin and oral categories and for modernizing the plant and processes.

7.5.2 Foods and Beverages (F&B) Exports

The F&B portfolio achieved a modest growth. The business was impacted by global crop and commodity price trends. Value added tea bags portfolio grew well and your Company emerged as a key supplier to Unilever global sourcing network for original tea besides securing approval to supply instant tea to Europe and US. Instant tea plant at Etah will implement this project. Plans to increase instant coffee sales to newer geographies are progressing and will be activated next year. Operational efficiencies and plant productivity gains have contributed to improving underlying margins.

7.5.3 Specialty Exports

During 2007, your Company exited from low value added Shrimps and Castor exports as a part of the restructuring exercise to improve the overall quality of the portfolio. Resultant decrease in sales is expected to be made up over time through FMCG exports i.e. HPC and F&B.

Marine Exports

Adverse factors like high antidumping duty, non trade barriers, lower availability of sea caught shrimps and appreciation of rupee have all made the shrimps business totally unviable. Consequently the shrimps processing units at Aroor and Kuthiathode in Cochin, Kerala were closed in October 2007 and the employees voluntarily separated. The Marine Business will, for the time being, continue with more value added Surimi and Crabsticks Exports.

The proposal, already approved by the members (through postal ballot) to divest the marine portfolio will be implemented in due course. Management is engaged in the task of identifying a suitable buyer for the remaining Surimi and Crabstick business. In the meantime, steps are being taken to improve its performance.

Castor Exports

Your Company exited from exports of castor and castor derivatives in December quarter 2007, given that they are largely commodity oriented, with poor margins and without any sustainable advantage. These exports do not have any brands or fixed assets nor any committed long term customers. Phasing out of tax incentives for exports and poor sales realisation have rendered these businesses unsustainable even from a long term perspective.

Rice Exports

The business reported good growth with branded rice growing higher helped by markets in GCC, North America and Mauritius. Higher prices for Basmati during the year impacted the margins adversely. Some price increases were effected and steps were also taken to reduce fixed costs.

7.5.4 Leather (Pond's Exports Limited)

Leather Exports business is carried out by Pond’s Exports, a 100% subsidiary of your Company. The Industry had a difficult year. Expected benefit of higher order flows due to the antidumping duty on Chinese and Vietnamese exports to EU did not fully materialise. The appreciating rupee also adversely affected competitiveness.

The Uppers segment did well and continued to deliver savings from restructuring of facilities carried out earlier. This segment currently services large requirements of brands like ‘Gabor’ and is hopeful of adding new customers from Europe. The outlook for Uppers, therefore, appears satisfactory.

The Shoes segment faced difficulties due to the anticipated orders not coming from key customers, who preferred to source from cheaper locations. The business is striving to find new international customers and also to service the emerging domestic retail chains. The business has plans to tie up with a design centre in China to provide a stream of new designs which will potentially increase orders both from, existing and new customers.

Plans include implementation of an industry specific ERP system in March quarter of 2008, which will improve staff productivity and material usages. Business is working to restructure costs and improve execution. The shareholders have already approved the disposal of this business and efforts are ongoing to find a suitable buyer.

7.6 Water

Your Company has developed and launched Pureit, an in-home drinking water purification system. Pureit is the culmination of a series of technological breakthroughs. It purifies water 'as safe as boiled water', providing children and families with complete protection from all waterborne diseases like diarrhoea, jaundice, typhoid and cholera. It is the only purifier in the world that provides this level of safety without depending on cooking gas, electricity and pressurised tap water. It is affordable and given that 80% of all diseases are water-related with children being the most affected, Pureit ensures that safe drinking water is now within reach of the common man.

Pureit was test marketed in Tamil Nadu during the last two years and the consumer response has been very encouraging. Pursuant to that, the water business built up a unique distribution system and its overall capability with respect to manufacturing, supply chain, and customer service. During 2007, the product was launched in Karnataka, Andhra Pradesh, Kerala, Maharashtra, West Bengal and Delhi with good response. The rollout of Pureit to other States is continuing and is planned to be completed in the coming year.

Your Directors are pleased with the outcome of this innovation and look forward to advancing this business in the future.

7.7 Hindustan Lever Network

In 2007, the Network business was aligned with Home and Personal Care division. During the year the business focused on redefining its strategy in line with its vision, to empower the modern Indian woman by serving her with superior beauty and healthcare products for herself and her family, through customised and professional services.

Accordingly, the network channel has been repositioned, to offer premium products in the two growing categories of Beauty Solutions and Health & Wellness, under two core brands viz. Aviance and Ayush, respectively. This is an important channel and the key challenge is now to drive the business to scale through outstanding execution.

7.8 Project Shakti - Changing Lives in Rural India

Hindustan Unilever's Project Shakti is a rural initiative that targets small villages with a population of less than 5000. It is a unique win-win initiative that empowers women in rural India even as it benefits the business. Project Shakti impacts society in three favourable ways – Shakti Entrepreneur program creates livelihood opportunities for underprivileged rural women; Shakti Vani program improves quality of life by spreading health and hygiene awareness and; iShakti community portal empowers rural community by creating access to information. Parallely, Project Shakti benefits your business by significantly enhancing its direct rural reach, and by enabling Company's brands to communicate effectively in regions not touched by any media.

Shakti Entrepreneur program recognizes the role of micro-credit in alleviating poverty. However, such micro credit also requires appropriate investment opportunities. Shakti creates profitable micro-enterprise opportunities for rural women. Supported by micro-credit, rural women become Shakti entrepreneurs (Shakti Ammas) as direct-to-home distributors in rural markets with earning good returns. This micro-enterprise has low risks as HUL products distributed by them are some of India's most trusted brands relevant to rural consumers. Your Company also invests in training the entrepreneurs, helping them become confident and business literate to be capable of running their own small enterprises. By the end of the year 2007, the network had grown to more than 45,000 Shakti Ammas covering 100,000 plus villages across 15 states in the country and reaching over 3 million homes.

Poor hygiene practices are the largest cause of common diseases such as diarrhoea due to which over five lakh children die each year in rural India. Shakti Vani program attempts to educate the rural community about basic hygiene. Shakti women are appointed as Vanis and trained to communicate in social forums such as schools and village get-togethers. The Vani program covers areas such as sanitation, good hygiene practices and women empowerment. Brand messages are embedded in all of these communications thus creating a platform for brands to connect with rural consumers. Over the past three years, we have covered more than 50,000 villages.

Project Shakti's third intervention, iShakti, provides the rural community with a computer based information portal on key areas such as agriculture, health, vocational training, legal procedures and education. The computers are equipped with the iShakti software, which is based on a unique dialogue-interactive technology developed and patented by Unilever. Users can surf across various content areas, accessing information or posting queries which are then answered by experts. This year the same kiosks were used to provide value added services in the field of education. Services like spoken English programs and computer education have been received well in the pilot villages.

In the next three years, your Company aims to cover 500,000 villages, with 100,000 Shakti entrepreneurs reaching out to over 600 million people in rural India.

7.9 Beauty and Wellness Division

Your Company has formed a Beauty and Wellness division, merging Ayush Therapy Centre and Lakme Beauty Salon. The merger generates synergies in operations such as franchisee management, back end processes, ground support and common HR services.

Market for beauty services is estimated to be at Rs. 1500 crores in 2007, of which the organised market is at Rs. 440 crore and is growing strongly at 25% per annum.

Lakme is the largest organised player in the beauty market. Lakme Salon business grew in excess of 30% in 2007 and added 24 new salons. There are 105 salons spread across 30 cities, both, Company and franchisee owned. Franchisees are supported with training and marketing for which royalties are paid to your Company.

The total wellness market is estimated to be at Rs. 700 crores of which the authentic ayurveda market is at Rs. 200 crores, growing at 20% per annum. The market is fragmented and localised with regional players owning chains of ayurvedic centres. This market also has top end spas which offer premium rejuvenation services, also growing strongly.

Currently, Ayush has 45 Therapy Centres in 7 cities. Ayush has a technical collaboration with the renowned Arya Vaidya Pharmacy in Coimbatore, which help us with service development and innovations. The business is expected to grow well with increasing consumer awareness and spends on such activities.

8. RESEARCH & DEVELOPMENT AND TECHNOLOGY

Your Company has a long-standing culture and history of delivering high consumer business value through superior technology for its brands. This sustained high performance has helped build a strong foundation for our business and also differentiated our brands strongly. The technology drive in your Company is a journey that began with the great vision of Sir Henry Turner way back in 1950s when he initiated the Country's first major Research and Development (R&D) operation in the Company.

The strong research foundation, laid in the 1950s, on which the Company's research was built, its expansion over the ensuing years and technology woven as an inseparable part of business have all combined to produce a steadily accelerating stream of high-value deliveries to our consumers.

The most recent testimony to the value of R&D is the launch of Pureit brand and our foray into in-home purification of water. The challenge of cost effectively fulfilling the social requirement of protection from diseases that are caused by microbial contamination in drinking water was executed successfully by the R&D team. This technology stands out in any scrutiny to rank among the best in a global context. Notwithstanding the excellent standards set by your Company's current proposition in the market, a series of exciting new inventions are in the pipeline for further advances in the in-home water purification business.

Providing skin care benefits, and meeting the aspirations of millions in this region, was yet another notable contribution. High quality R&D has been pursued to innovate further in this important area of business and consumer interest. Significant progress has been made in understanding the environmental effects on skin quality and on the ways and means to minimize their adverse impact.

Providing superior cleaning in laundry and household care has been the focus of research. Development of several novel consumer excitable propositions are in progress.

A major R&D emphasis for us in recent times has been in the area of Naturals and Ayurveda. After exploring our country's vast traditional knowledge base, the best sustainable offerings are identified and refined, to provide specific performance benefits to consumers in the areas of Home and Personal Care as well as Foods. Ayush Therapy Centres and Ayush range of products, Ayurvedic Fair and Lovely and Nature Care tea have all been the result of these efforts.

Foods R&D continues to be focused on providing food options with the combination of superior aroma and taste, with specific enhancements in health and nutritional benefits to consumers. A series of new and superior products are under development helped by Unilever's formidable global research and development in this domain.

Overall, R&D continues to occupy the centre stage in the scoping and conduct of business for your Company. The Company has recently consolidated most of its research at Bangalore, securing synergy from intellectual resources in different scientific disciplines and different category research groups of HPC and Foods. The Bangalore research centre has been expanded with significant additional world-class laboratory space. The Company's major strength continues to be the ability to attract, develop and retain scientists who are best-in-class by virtue of their pedigrees and performance.

Recognition of the outstanding capabilities and performance of the Bangalore Discovery Laboratory, and the HPC/Foods "Design and Deploy" groups in Mumbai/ Bangalore, has led to a significant expansion in the content as well as the context, of the work done by these groups. India is now a premier global R&D domain for Unilever, performing leading research and development to advance its brands and categories. All this work is of high relevance to the Company businesses. In addition to the professional growth of people and creation of new products, their global role also facilitates further advances, through synergistic links to the other major Unilever laboratories.

9. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Safety and Environment Performance has been integral to the business performance of your Company and continue to receive focus throughout the year. Our vision is to be a "zero-injury" organization. Unilever's Framework safety and environmental standards, which are aligned to international standards of ISO 14001/OHSAS 18001, have been implemented across the Company. Effective implementation of these standards is supported by your Company's occupational safety programme based on the behavioral safety management techniques. This is accepted world wide as the best way to achieve sustained safety improvement. We continue to focus on behavioural safety aspects of employees and visitors along with continual improvements in engineering controls and safety management systems. All these efforts have resulted in significant improvement in the Company's safety record and we continue to have one of the lowest accident rates among Unilever Companies worldwide.

In the past, many of the Company's manufacturing units have been recognized by various organizations for their exemplary performance on safety. Continuing this trend during the year, Aroor factory received the National Safety Council award in the medium size industry category while Cochin tea factory received the safety performance award in the medium scale non-engineering non-chemical factory category.

Your Company has been focussing on improving environmental performance and has drawn up an ambitious plan to reduce the environmental impact of operations including reduction in greenhouse gases. This has resulted in a lower environmental load in key parameters which are monitored very closely every month. Your Company received 1,50,000 CERS (carbon credits) for an innovative soap manufacturing process which consumes significantly lower energy and water. This technology was developed in-house and patented by the Company. Your Company was the first in Unilever to receive carbon credits. The Company is also focusing on alternative sources of renewable fuels and has installed a bio-mass based boiler at Chiplun factory. Rainwater harvesting projects have been progressed further at the manufacturing sites, helping to conserve ground water. Other ongoing sustainability projects such as greening of barren land in and around our factories and vermi-composting of waste into value added fertilizer supplements are progressing well.

10. HUMAN RESOURCES

The Human Resource (HR) agenda for the year 2007 was focused on three key areas - embarking on human resource transformation program, building organizational and individual capabilities and significantly enhancing people productivity to drive sustainable business growth.

HR transformation program is a business change program and impacts ways of working in Unilever companies across the world. At the core of this program are world class info-tech platform & solutions to efficiently manage Human Resources transactions. The HR function has been simplified into three distinct streams – Business Partners, Expertise Teams and Corporate Services. The IT platforms would rely on self service mode thereby enhancing the productivity of HR Management by freeing up their time from managing routine and transactional workload. In the course of 2008, your Company expects to progressively move to this new way of working.

The belief 'great people create great organizations' has been at the core of the Company's approach to its people. Your Company made significant investments for training in the areas of marketing, excellence in customer service and building expertise and capabilities for organised retail trade. A step in this direction is the formation of a JV with Smollan Holdings of South Africa, referred in Section 7.3.

Arising from the focus in driving a holistic capability program, over 300 training programs were delivered through classrooms. 2007 also saw a significant amount of sharing of Unilever best practices in building functional expertise through Global Learning Academies. In 2007, Unilever introduced an "e-learning" platform which offers a bouquet of 3000 courses on a self learning mode via computer and internet. These programs can be accessed by a Unilever employee anywhere in the world, at anytime.

During 2007, TPM gains were further consolidated as four of our sites underwent audits for TPM award, of which Khamgaon unit is now the second in HUL to be accredited with the prestigious Special award. Employee Relations in the Company continued to be largely positive. During the year, nine productivity linked Long Term Settlements were finalised through bilateral negotiations benefiting over 2000 employees.

In 2007, five units underwent restructuring; extensive efforts towards relocation of the affected employees were undertaken. Except a few who have opted to separate by taking a fair and generous package, other employees willingly relocated to other units of the Company thereby ensuring job security for them. All restructuring initiatives were supported by liberal VRS packages and relocation facilitated through relocation schemes.

There were three unfortunate incidents of disturbances in our otherwise cordial Industrial relations. At Baddi Factory (in Himachal Pradesh) and at the Company's detergents factory at Pondicherry, workmen resorted to illegal strikes which were resolved timeously and without major disruption with the intervention of local labour authorities. The third incident was at Doom Dooma factory (in Tinsukhia, Assam); sixteen members of the Management and Officers were subjected to illegal confinement by a section of workmen resulting in indiscipline and lack of security in the workplace. Management had no option but to respond to the illegal strikes of the workmen by declaring a lock out as per law. The lock out commenced on 15th July, 2007 and was lifted on 3rd September, 2007 with an agreement arrived at between the Management and the Union before the Conciliation Officer.

In line with our commitment towards affirmative action, the Special Apprenticeship Program was introduced through which over 75 Interns have got one year internship in our factories and sales network. As a responsible corporate, your Company has accepted to abide by the Code evolved by Confederation of Indian Industries (CII) for affirmative actions in private sector.

The year 2007 saw your Company being recognized by the Industry for its cutting edge and best in class talent practices. One of the key recognitions that came our way was in the field of leadership - Top Company for Leaders award conferred by Fortune and Hewitt Associates - 1st in Asia Pacific and 4th in the Globe. This is great testimony to its strong leadership development programmes that have been an integral part of your Company over the last 75 years.

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and accounts are being sent excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy thereof.

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is appended hereto and forms part of this report.

11. MERGERS/ACQUISITIONS/JOINT VENTURES AND DISPOSALS

11.1 Divestment of "Sangam Direct"

In March 2007 "Sangam Direct" a non-store home delivery retail business, operated by Unilever India Exports Limited (UIEL), a fully owned subsidiary of your Company was transferred to Wadhavan Foods Retail Pvt. Limited (WFRPL) on a slump sale basis.

In 2001, the Sangam business was conceptualized and test marketed in Mumbai to experiment with the direct to consumer channel combining the twin benefits of convenience and value. The business comprised a dedicated call centre with trained personnel for order procurement using customized ERP systems to distribute through a network of re-distribution agents. It reported a turnover of about Rs. 26 crores for the calendar year 2006. The decision for a larger roll out was put on hold in the context of evolving/changing retail scenario in the Country. Although the business met many of its milestones successfully, your Company felt that it was not in its strategic interest to continue to be present in this format of organized retail and that the business would have a better opportunity to realise its full potential through the Wadhavan group.

11.2 Amalgamation of Modern Foods Industries (India) Limited and Modern Foods and Nutrition Industries Limited with Hindustan Unilever Limited

Your Company had sought approval from the shareholders and the Courts to merge the above Companies as of 30th September, 2006. While the shareholder approvals were received in 2006, your Company received approvals from the High Courts of Mumbai and Delhi in March Quarter 2007. Thus the two companies have been merged with your Company w.e.f. 1st October, 2006.

11.3 Demerger of the non-operational facilities in Shamnagar, Jamnagar and the "Janmam" land into separate companies

Your Company had undertaken demerger of its non-operational facilities in Shamnagar, Jamnagar and Nilgiris district into three independent and separate companies, being 100% subsidiaries of the Company known as Shamnagar Estates Pvt. Limited, Jamnagar Properties Pvt. Limited and Daverashola Estates Private Limited (Formerly known as Hindustan Kwality Walls Foods Private Limited).

Following the approval of the shareholders, the Hon'ble High Court at Bombay have also approved this and the demerger is effective from 29th March, 2007.

11.4 Joint venture with Smollan Holdings

Your Company has entered into a strategic tie-up through a Joint Venture (JV) with Smollan Holdings of South Africa, which aims to build long term capabilities and bring 'in-store' execution focus in servicing the Company's Modern Trade customers. Smollan Holdings is one of the leading 'in-store execution and field services' companies internationally. It has leading edge capabilities in servicing Modern Trade focused on shelf filling, logistics for merchandising materials and in-store execution.

The new company has been named as Hindustan Unilever Field Services Private Limited (HUFS) and will work exclusively on behalf of the Company in Modern Trade channel only. The operations will begin with the existing Modern Trade in-store execution team of the Company moving into HUFS.

12. 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 employee or Whole-time Director have received options exceeding 5% of the value of the options issued for the year ending December 2007.

Likewise, no employee has been issued share options, during the year equal to or exceeding 1% of the issued capital 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 29th May, 2006, the Company adopted the "2006 HLL Performance Share 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. 169 Employees including Whole-time Directors were awarded conditional rights to receive a total of 2,35,950 equity shares at the face value of Re. 1/- each.

13. CORPORATE RESPONSIBILITY

As in the earlier years, your Company continued to involve itself in social welfare initiatives across the Country, both through charity and social investment around issues like education, health, nutrition and initiatives for the economic upliftment of the underprivileged.

In addition to initiatives like Shakti, your Company has commenced a pilot in its tea business, in partnership with an NGO (Partners in Change) to source tea directly from small producers and thereby improve their livelihood.

The effort of the Company in improving water availability through soil conservation and water harvesting methods has borne good results. In the Parkhed region (near Khamgaon factory), we have been successful in demonstrating the effectiveness of the model which is now ready for roll out. In Kharchond, Silvassa the area under irrigation has increased, thereby improving the economic condition of the villagers in the region.

The Company believes that brands must be at the forefront of driving social change. The extension of the Lifebuoy Swasthya Chetna programme to 43000 villages with a view to improve hygiene standards and thereby reduce the risks of infant mortality through diarrhoea is a case in point.

Your Company has formalized a brand imprint protocol, which will help every brand to assess the opportunities for social contribution and integrate the same in the overall brand strategy.

While much has been done, the issues facing society are complex and expectations from stakeholders are increasing. Your Company is alive to the challenges and remains firm in its belief that it is possible to 'do good while doing well' and that running a successful business and creating positive social impact are not separate objectives.

14. INFORMATION TECHNOLOGY

Your Company has continued to invest significantly in Information Technology and leverage it for business value.

Information technology in the area of sales and customer development has been one of the key thrusts. All redistribution stockists operate on a common transaction system fully integrated with our systems. This capability 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.

Significant progress has been made in building and implementing an enterprise-wide SAP transaction capability. This was accompanied by re-engineering and simplification of business processes to improve agility and customer service. In 2007, SAP based transaction systems were successfully rolled out for all customer facing "order-to-cash" processes. A significant aspect of this program has been the replenishment based ordering and servicing on SAP for all our customers. The capability development for the balance processes covering Supply Chain and Central Financials is underway. By the end of 2008, your Company will have an end-to-end SAP platform that will provide a robust foundation to address several emerging business needs.

Your Company continues to invest in IT infrastructure to support business applications. We have a robust virtual private network using MPLS technology, supplemented by VSATs for remote locations. We have leveraged the excellent and growing telecom network in the country to provide high bandwidth terrestrial links to all our operating units. This has enabled us to coordinate activities effectively across geographically dispersed locations.

Information Security and 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 reassure ourselves on the same.

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

15. FINANCE AND ACCOUNTS

Your Company continued its focus on cash generation and delivered a strong operating cash flow during the year. This was driven by good business performance, efficiencies and cost savings across Supply Chain and a continued efficient collection system. Your Company managed 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. An amount of Rs. 1399 crores was used up during the year by way of a Special Platinum Jubilee Dividend (Rs. 773 crores including DDT) and Share Buy Back (Rs. 626 crores). Capital Expenditure during the year was at Rs. 372 crores (2006, Rs. 151 crores) and was in the areas of capacity expansion, information technology, energy and other cost savings.

The total amount of fixed deposits taken by the company as of 31st December, 2007 was nil. There was no outstanding towards unclaimed deposit payable to depositors as on 31st December, 2007.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules 2001, Rs. 298 lakhs of unpaid/unclaimed dividends, interest on debentures and deposits were transferred during the year to the Investor Education and Protection Fund.

Return on Net Worth (RONW), Return on Capital Employed (ROCE) and Earnings Per Share (EPS) for the last five years are given below :

For the year ended 31st December,	2003	2004	2005	2006	**2007**
RONW (%)	82.8	57.2	61.1	68.1	**80.1**
ROCE (%)	60.2	45.9	68.7	67.0	**79.4**
EPS of Re.1 (after exceptional items)	8.05	5.44	6.40	8.41	**8.73**

Economic Value Added (EVA)

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

Years	EVA	Average Capital Employed
2003	1,429	3,780
2004	887	3,704
2005	1,014	2,560
2006	1,125	2,677
2007	**1,340**	**2,785**

The above EVA has been computed under conservative assumptions.

Segment-wise results

Your Company 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 audited financial results of these segments are given as a part of financial statements.

Risk and Internal Adequacy

Your Company has a low debt equity ratio and in fact had a surplus cash and investments of Rs. 1554 crores as on end December 2007 and is well placed to take care of any of its borrowings. Your Company is a large net foreign exchange earner and the transactions are generally always fully covered with strict limits placed on the amount of exposure, if any, at any point in time. There are no materially significant exchange rate risks associated with the Company.

Your Company's internal control systems are well commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by Statutory as well as Internal auditors and cover all the offices, factories and key areas of business. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations including those relating to strengthening the Company's risk management policies and systems.

Outlook

The Indian economy has grown at a healthy 8% + level for the last three years and is expected to continue to grow at these levels. This growth is driven by a strong performance by the industry and service sectors, with agriculture slated to register a positive growth of 3%. Our plans assume continued economic and market growth. It is believed that in spite of the fears of a global recession, Indian domestic demand will provide sufficient fillip and resilience to GDP growth. We are however cognizant of the inflationary pressures which have been significant for the last few years, largely led by global petroleum and commodity price increases. The Company will continue its relentless focus on cost management, savings and efficiencies, besides examining the need for appropriate price corrections if and when needed to manage margins.

Cautionary Statement

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

16. DIVIDEND

The Board of Directors have recommended a final dividend of Rs. 3/- per equity share of the face value of Re. 1/- each for the year 2007, amounting to Rs. 653.24 crores . The Company has earlier during the year declared an interim dividend of Rs. 3/- per share which was paid on 22nd August, 2007 and a special Platinum Jubilee Dividend of Rs. 3/- per share which was paid on 22nd November, 2007.

The final dividend, subject to approval of shareholders, will be paid to the shareholders whose names appear on the Register of Members reference to the book closure from 19th March, 2008 to 3rd April, 2008 (inclusive of both dates).

The total dividend for the year including the proposed final dividend is Rs. 9/- per share and amounts to Rs. 2,331.62 crores including the Dividend Distribution Tax.

17. SUBSIDIARY COMPANIES

During the year, Brooke Bond Real Estates Private Limited and Hindustan Unilever Field Services Private Limited became wholly owned subsidiaries of your Company.

A statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies is attached to the accounts.

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the Audited Statements of Accounts and the Auditors' Reports thereon for the year ended 31st December, 2007 along with the Reports of the Board of Directors of the Company's subsidiaries have not been annexed. The Company will make available these documents upon request by any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been furnished under 'subsidiary companies particulars' forming part of the Annual Report. Further, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report includes the financial information of its subsidiaries.

18. BOARD OF DIRECTORS

Mr. V. Narayanan, who was appointed as the Non-Executive Director of the Company will be retiring on the conclusion of the ensuing Annual General Meeting on attaining the age of 70 years in accordance with the policy of the Company, and therefore will not be seeking re-appointment. The Board places on record its deep appreciation for the distinguished services rendered by Mr. V. Narayanan during his tenure as a Director of the Company, initially as the Chairman of Audit Committee and now for the past 3 years, as the Chairman of Remuneration/Compensation Committee.

To fill up the vacancy caused by the retirement of Mr. V. Narayanan, the Company proposes to appoint Dr. R. A. Mashelkar as Non-Executive Independent Director of the Company in accordance with Section 269 and Article 111 of the Articles of Association. Notice has been received from a member pursuant to Section 257 of the Companies Act, 1956, together with necessary deposits of Rs. 500/- proposing the appointment of Dr. R. A. Mashelkar to the Board of Directors.

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-appointed.

Brief resumes of the Directors proposed to be appointed/ re-appointed as required under Clause 49 of the listing agreement are provided in the Notice of the Annual General Meeting forming part of the Annual Report.

19. MANAGEMENT COMMITTEE

The day-to-day management of your Company is vested with the Management Committee comprising business and functional heads, who work under the overall superintendence and control of the Board. The Management Committee is headed by Mr. Douglas Baillie as the Chief Executive Officer.

During the year, Mr. Sanjay Dube, Executive Director - Sales and Customer Development and a member of the Managing Committee was appointed Chairman, Poland and Baltics, Unilever, with effect from 1st June, 2007.The Board places on record its appreciation for the extensive contribution of Mr. Sanjay Dube to the sales and customer development function of the Company.

Pursuant to his appointment as the Whole-time Director, Mr. Sanjiv Kakkar has taken charge of the Sales and Customer Management portfolio of the Company and has been appointed as Executive Director - Sales and Customer Development in place of Mr. Sanjay Dube. Mr. Shrijeet Mishra, who was VP Activation - Asia AMET in Singapore, has replaced Mr. Sanjiv Kakkar as Executive Director-Foods and is appointed as a member of the Management Committee w.e.f. 1st June, 2007.

Mr. Ashok Gupta and Ms. Leena Nair were appointed as Executive Directors, heading the Legal and HR functions respectively to form part of the Management Committee effective from 1st June, 2007.

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.

Your Directors would like to acknowledge the tremendous contribution by the parent Company, Unilever in providing your Company with the very latest innovations and marketing inputs in almost all the categories in which we operate. This has enabled the Company to provide higher consumer satisfaction through continuous improvement in existing products and bring in the latest products from Unilever portfolio backed by global research. Unilever has also supported your Company extensively to follow and adopt world class business processes in all functional areas like Customer Development, Supply Chain Planning and Execution, Finance and Human Resources.

22. TRADE RELATIONS

The Board place on record their appreciation for the support and co-operation your Company has been receiving from suppliers/re-distribution stockists, retailers and others associated with the Company as its trading partners. Your Company has always looked upon them as partners in its progress and has happily shared with them the rewards of growth. It will be the Company's endeavour to build and nurture strong links with trade based on mutual respect and co-operation consistently aligned with consumer interests.

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 the business partners/associates at all levels.

On behalf of the Board

Harish Manwani
Chairman

Mumbai
13th February, 2008