

	As at 31st December, 2005	(Rs.in Thousands) As at 31st December,2004
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED CAPITAL		
15,000,000 (Previous Year 15,000,000)Equity Shares of Rs.10/- each	150,000	150,000
700,000 (Previous Year 700,000)12% Redeemable Cumulative Preference Shares of Rs.100/- each	70,000	70,000
300,000 (Previous Year 300,000)Unclassified Shares of Rs.100/- each	<u>30,000</u>	<u>30,000</u>
	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
ISSUED SUBSCRIBED & PAID UP CAPITAL		
12,537,438 (Previous Year: 12,537,438) Equity Shares of Rs.10/- each fully paid up.	125,374	125,374
Add : Amount Received on 1,449 (Previous Year 1,449) forfeited Shares.	<u>9</u>	<u>9</u>
	125,383	125,383
TOTAL	<u>125,383</u>	<u>125,383</u>
Of the above, 1,505,000 (Previous Year 1,505,000) Equity Shares of Rs.10/- each were issued as fully paid bonus shares by capitalisation of the reserves.		
Of the above 7,386,820 (Previous Year 7,386,820) equity shares of Rs.10/- each are held by Huhtavefa B.V., the Holding Company (a Huhtamaki Group Company)		
SCHEDULE 2 - RESERVES & SURPLUS		
SECURITIES PREMIUM ACCOUNT	793,632	793,632
REVALUATION RESERVE		
Balance as per last Balance Sheet	32,764	32,764
Less:Withdrawn on Disposal of Land	<u>3,335</u>	<u>-</u>
	29,429	32,764
CAPITAL REDEMPTION RESERVE	70,000	70,000
GENERAL RESERVE		
Balance as per last Balance sheet	482,104	452,104
Add:Transferred from Profit & Loss Account	<u>27,675</u>	<u>30,000</u>
	509,779	482,104
PROFIT & LOSS ACCOUNT	439,587	291,301
TOTAL	<u>1,842,427</u>	<u>1,669,801</u>
SCHEDULE 3 - UNSECURED LOANS		
Fixed Deposits (Repayable within one year Rs.2,373 Thousands Previous year Rs.3,099 Thousands)	2,373	3,099
Sales Tax Deferred Loan (Refer Schedule 17 Note 16)	160,574	127,108
TOTAL	<u>162,947</u>	<u>130,207</u>

Schedule 4 - FIXED ASSETS

(Rs. In Thousands)

Sr. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Original Cost as at 01.01.2005	Additions During the year	Deletions During the year	Original Cost as at 31.12.2005	Opening Balance as at 01.01.2005	On Deletions	Charge for the year	Closing Balance as at 31.12.2005	Balance as at 31.12.2005	Balance as at 31.12.2004
Tangible Assets											
1.	Land - Freehold	57,474	-	3,349	54,125	-	-	-	-	54,125	57,474
	- Leasehold	1,788	25,713	-	27,501	243	-	113	356	27,145	1,545
2.	Buildings	315,649	10,606	4,769	321,486	144,147	2,379	15,687	157,455	164,031	171,502
3.	Machinery	2,428,736	41,709	46,590	2,423,855	1,380,540	39,040	214,623	1,556,123	867,732	1,048,196
4.	Computers	31,769	7,373	2,699	36,443	18,513	2,271	6,604	22,846	13,597	13,256
5.	Motor Vehicles	12,876	5,135	2,240	15,771	6,676	1,591	2,747	7,832	7,939	6,200
6.	Furniture, Fixtures, Office Equipments & Technical Library	61,388	2,168	1,193	62,363	30,782	984	7,685	37,483	24,880	30,606
Intangible Assets											
7.	Non Compete Fees	20,000	-	-	20,000	11,000	-	2,000	13,000	7,000	9,000
8.	Computer Softwares	7,051	-	-	7,051	7,051	-	-	7,051	-	-
GRAND TOTAL		2,936,731	92,704	60,840	2,968,595	1,598,952	46,265	249,459	1,802,146	1,166,449	1,337,779
PREVIOUS YEAR		2,489,462	467,858	20,589	2,936,731	1,395,917	17,851	220,886	1,598,952	1,337,779	

1. Buildings include

a. Original Cost of Buildings on leasehold land Rs.6,722 Thousands (Previous Year Rs.3,851 Thousands).

b. Original Cost of ownership flats in Co-operative Societies Rs.53,069 Thousands (Previous Year Rs.57,663 Thousands).

c. Original Cost of ownership flats on leasehold land Rs.22,251 Thousands (Previous Year Rs.22,251 Thousands).

2. Electrical Fittings include original cost Rs.596 Thousands & written down value Re.1/- (Previous year original cost Rs.596 Thousands & written down value Re.1/-) being expenditure incurred on installing High Tension Line for drawing power from the Electricity Department, Dadra and Nagar Haveli Grid to the Silvassa Plant through ownership of the same vests with the Electricity Department.

3. Foreign Exchange Losses(+) and Gains(-) incurred during the year in connection with acquisition of imported fixed assets have been included in additions during the year. Consequently a net amount of Rs.(-) 63 Thousands (Previous Year Rs.(+) 119 Thousands) has been capitalised to fixed assets during the year.

4. Freehold land at Thane was revalued on 31.07.1985.

5. Refer Schedule 17 Note 6 b for assets given on lease.

6. An amount of Rs.99 Thousands from the charge for depreciation for current year has been transferred to Capital Work in Progress being depreciation on assets utilised in project execution.

7. Addition to leasehold land of Rs.25,713 Thousands is towards the provisional lease premium paid to SIDCUL for acquisition of land at Rudrapur in State of Uttaranchal. Additional amount if any payable will be capitalised in the year of payment.

8. During the year the Company received Transferable Development Right (TDR) in lieu of compulsory acquisition by Thane Municipal Corporation of a portion of vacant land at Thane Plant. The TDR received has been sold & profit of Rs.18,326 Thousands realised. (Refer Schedule 10).

	Face Value Rs.	Nos.	(Rs.in Thousands)	
			As at 31st December, 2005	As at 31st December,2004
SCHEDULE 5 - INVESTMENTS				
LONG TERM INVESTMENTS				
OTHER INVESTMENTS - UNQUOTED				
SHARES:				
Feedback Ventures Pvt. Ltd.				
Equity Shares fully paid up	10	50,000	500	50,000
BONDS:				
ICICI Safety Bonds (Refer Schedule 17 Note 16 b)	5,000	626	3,111	626
			<u>3,611</u>	<u>3,611</u>
CURRENT INVESTMENTS - UNQUOTED				
UNITS OF MUTUAL FUNDS:				
Birla Cash Plus Institutional Plan - (16,669,292 Units purchased and 15,836,984 Units sold during the year)	10	1,388,773	15,002	556,465
DSP Merrill Lynch Liquid Plan - (1,008,669 Units purchased and 1,882,079 Units sold during the year)	10	-	-	873,410
Grindlays Cash Fund Institutional Plan - (15,696,901 Units purchased and 17,778,812 Units sold during the year)	10	-	-	2,081,911
Pru ICICI Liquid Institutional Plan - (11,901,868 Units purchased and 13,079,948 Units sold during the year)	10	783,345	9,283	1,961,425
Templeton Floating Rate Short Term Plan - (17,490 Units purchased and 2,241,909 Units sold during the year)	10	-	-	2,224,419
ABN Amro Cash Fund - (1,513,319 Units purchased and 2,527,577 Units sold during the year)	10	-	-	1,014,258
HDFC Cash Management Fund - Saving Plan (13,607,290 Units purchased and 12,932,962 Units sold during the year)	10	842,083	8,953	167,755
Templeton India Treasury Management Account Liquid Plan - (5,014 Units purchased and 5,232 Units sold during the year)	1,000	-	-	218
HDFC Cash Management Fund - Savings Plus Plan (1,022,103 Units purchased during the year)	10	1,022,103	10,240	-
Birla Floating Rate Long Term Plan (1,463,322 Units purchased during the year)	10	1,463,322	15,198	-
DSP Merrill Lynch Floating Rate Fund (33,172 Units purchased and 14,988 Units sold during the year)	1,000	18,184	18,187	-
Prudential ICICI Blended Plan A (200,000 Units purchased during the year)	10	200,000	2,000	-
			<u>78,863</u>	<u>94,432</u>
Less:Provision for Diminution in Value of Investments			6	2
			<u>78,857</u>	<u>94,430</u>
TOTAL			<u>82,468</u>	<u>98,041</u>
Aggregate Value of Unquoted Investments			3,611	3,611
Aggregate Value of Mutual Fund Units			<u>78,857</u>	<u>94,430</u>
			<u>82,468</u>	<u>98,041</u>
Net Asset Value (NAV) of Mutual Fund Units			78,929	94,461

SCHEDULE 5 - INVESTMENTS <i>(Contd.)</i>	As at			(Rs.in Thousands)		
	31st December, 2005			As at 31st December,2004		
UNITS OF MUTUAL FUNDS PURCHASED & SOLD DURING THE YEAR	Face Value	Total Nos. of Units	Total Purchase Cost (Rs.)	Total Nos. of Units	Total Purchase Cost (Rs.)	
Templeton India Liquid Fund	10	–	–	3,019,529	30,204	
Birla MIP Plan	10	–	–	1,751,252	20,000	
Prudential ICICI Liquid Plan	10	–	–	1,643,142	19,474	
Birla Floating Rate Short Term Plan	10	494,780	5,134	–	–	
Grindlays Floating Rate Long Term Institutional Plan	10	2,033,680	20,425	–	–	
Prudential ICICI Floating Rate Long Term Plan	10	1,523,974	15,360	–	–	
HDFC Floating Rate Short Term Plan	10	501,014	5,033	–	–	
HSBC Floating Rate Fund Short Term Plan	10	1,504,514	15,076	–	–	
DSP Merrill Lynch Floating Rate Fund	10	3,278,274	32,899	–	–	
HDFC Floating Rate Long Term Plan	10	1,008,160	10,152	–	–	
HSBC Floating Rate Long Term Institutional Plan	10	1,519,876	15,292	–	–	
DSP Merrill Lynch Floating Rate Fund	10	3,278,274	32,899	–	–	
Prudential ICICI FMP	10	999,850	10,000	–	–	
Birla FMP Quarterly Series 1	10	975,039	10,000	–	–	
Reliance Fixed Term Scheme - Quarterly Plan	10	500,000	5,000	–	–	
Reliance Fixed Term Scheme - Monthly Plan	10	3,521,467	35,215	–	–	
			<u>212,485</u>		<u>69,678</u>	

	As at 31st December, 2005	(Rs.in Thousands) As at 31st December,2004
SCHEDULE 6 - CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES		
Raw-Materials	247,865	194,651
Goods in Transit	83,142	25,996
Stores & Spares	36,326	35,556
Loose Tools	26,898	20,377
Semi-Finished Goods	75,682	68,957
Finished Goods	59,441	33,496
TOTAL	<u>529,354</u>	<u>379,033</u>
SUNDRY DEBTORS (Unsecured)		
Debts outstanding for more than six months		
Considered Good	21,872	21,220
Considered Doubtful	30,660	27,511
	52,532	48,731
Other Debts		
Considered Good	753,777	707,320
Considered Doubtful	224	255
	754,001	707,575
	806,533	756,306
Less:Provision for Doubtful Debts	30,884	27,766
	<u>775,649</u>	<u>728,540</u>
(Refer Schedule 17 Note 20 for debts due from companies under same management)		
CASH & BANK BALANCES		
Cash on Hand	2,044	1,311
Cheques on Hand	15,845	21,972
Balances with Scheduled Banks :		
Current Accounts	117,606	102,465
Fixed Deposit Accounts	1,420	1,540
Unpaid Dividend Accounts	1,959	1,017
Margin Money Accounts	-	556
TOTAL	<u>138,874</u>	<u>128,861</u>
OTHER CURRENT ASSETS (Unsecured, Considered Good)		
Claims Recoverable	46,798	14,930
Interest Accrued on Investments	1,304	913
Deferred Sales Tax Recoverable	1,435	1,614
Others	4,656	647
	<u>54,193</u>	<u>18,104</u>
LOANS & ADVANCES (Unsecured, Considered Good)		
Advances Recoverable in Cash or in Kind or for Value to be Received	27,687	15,287
Loans/Advances to Staff	6,490	8,349
Advances to Suppliers	13,535	10,430
Tax Paid - Net of Tax Liability	15,246	-
Prepaid Expenses	12,641	14,485
Deposits	60,661	50,536
TOTAL	<u>136,260</u>	<u>99,087</u>
(Refer Schedule 17 Note 21 for amounts due from companies under same management)		
GRAND TOTAL	<u>1,634,330</u>	<u>1,353,625</u>

(Rs.in Thousands)
As at
31st December, 2004

As at
31st December, 2005

SCHEDULE 7- CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

Sundry Creditors

- Small Scale Industrial Undertakings (Refer Schedule 17 Note 18)	33,190	20,023
- Others	536,765	504,571

Advances from Customers	13,813	14,207
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Interest Accrued but Not Due - on Unsecured Loans	143	118
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Liability towards Investor Education & Protection Fund under Section 205C of the Companies Act,1956 not due

- Unpaid Dividend	1,959	1,017
- Unpaid Matured Deposits	175	175
- Unpaid Interest on Matured Deposits	51	51
- Unpaid Matured Debentures	85	92
- Unpaid Interest on Matured Debentures	46	53

Other Liabilities	158,908	126,870
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TOTAL	<u><u>745,135</u></u>	<u><u>667,177</u></u>
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PROVISIONS

Proposed Dividend	87,762	75,225
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Dividend Tax	12,309	9,831
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Provision for Taxation - Net of Advance Tax Paid	-	22,664
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Provision for Retirement Benefits	32,144	26,876
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TOTAL	<u><u>132,215</u></u>	<u><u>134,596</u></u>
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GRAND TOTAL	<u><u>877,350</u></u>	<u><u>801,773</u></u>
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SCHEDULE 8 - MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)
(Refer Schedule 16 Policy X)

Issue Expenses	91	456
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TOTAL	<u><u>91</u></u>	<u><u>456</u></u>
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	For The Year Ended 31st December, 2005	(Rs.in Thousands) For The Year Ended 31st December, 2004
SCHEDULE 9 - SALES		
Gross External Sales	4,683,587	4,249,527
Gross Inter-Unit Sales	370,204	342,293
Total Gross Sales	5,053,791	4,591,820
Less: Rebates & Discounts	69,714	52,703
	4,984,077	4,539,117
Less: Excise Duty & Sales Tax	655,473	598,906
Net Sales	<u>4,328,604</u>	<u>3,940,211</u>
SCHEDULE 10 - OTHER INCOME		
Rent	306	302
Profit on Sale of Fixed Assets (Net) (Includes Rs.18,326 Thousands (Previous Year Rs.Nil) of profit realised on sale of TDR received on compulsory acquisition of a portion of vacant land at Thane Plant by Thane Municipal Corporation)	27,463	4,550
Dividend Income - from Mutual Funds	7,300	10,080
Profit on Sale of Investments - Others	634	-
Foreign Exchange Gain - Net	7,528	-
Machinery Hire Charges	412	1,319
Miscellaneous Income (Includes Rs.18,000 Thousands (Previous Year Rs.Nil) compensation received on settlement of a claim)	51,300	38,869
TOTAL	<u>94,943</u>	<u>55,120</u>
SCHEDULE 11 - MATERIAL COSTS		
Raw Materials & Packing Materials Consumed	2,976,002	2,661,550
Stores, Spares & Other Materials Consumed (Increase)/Decrease in Stocks	29,554	23,522
Closing Stock:		
Finished Goods	59,441	33,496
Semi-finished Goods	75,682	68,957
	135,123	102,453
Less: Opening Stock		
Finished Goods	33,496	36,800
Semi-finished Goods	68,957	73,255
	102,453	110,055
	(32,670)	7,602
Excise Duty on Increase/(Decrease) in Finished Goods Stock		
Excise Duty on Closing Finished Goods Stock	10,297	8,222
Less: Excise Duty on Opening Finished Goods Stock	8,222	6,689
	2,075	1,533
TOTAL	<u>2,974,961</u>	<u>2,694,207</u>

	For the Year Ended 31st December, 2005	(Rs.in Thousands) For the Year Ended 31st December,2004
SCHEDULE 12 - MANUFACTURING & OPERATING EXPENSES		
Power & Fuel	152,928	123,519
Repairs - Plant & Machinery	56,622	53,982
- Building	6,359	10,696
- Others	10,374	10,261
Other Manufacturing Expenses	42,783	34,239
TOTAL	<u><u>269,066</u></u>	<u><u>232,697</u></u>
SCHEDULE 13 - PERSONNEL EXPENSES		
Salaries, Wages & Bonus	265,969	246,799
Contribution to Provident & Other Funds	21,295	18,336
Staff Welfare Expenses	34,109	31,890
TOTAL	<u><u>321,373</u></u>	<u><u>297,025</u></u>
(For Managerial Remuneration Refer Schedule 17 Note 2)		
SCHEDULE 14 - ADMINISTRATION & SALES EXPENSES		
Rent	2,306	2,661
Rates & Taxes	5,023	4,593
Travelling & Conveyance	29,273	35,151
Directors Travelling Expenses	2,585	2,080
Legal & Professional Charges	12,469	11,271
Communication Costs	11,600	11,986
Auditors Remuneration :		
-Statutory Audit	2,050	1,511
-Reimbursement of Expenses	137	104
-Other Services	<u>110</u>	<u>115</u>
	2,297	1,730
Directors Fees	165	180
Insurance	13,483	13,509
Donation	1,149	447
Advertising & Publicity	57	98
Loss on Sale of Investments (Net)	-	3,438
Foreign Exchange Loss - Net	-	1,366
Provision for Diminution in Value of Investments	3	-
Miscellaneous Expenses	29,892	34,066
Printing & Stationery	6,117	6,550
Commission on Sales	11,347	8,065
Freight & Forwarding Expenses	81,590	65,504
Sale/Purchase Tax	1,052	1,196
Amounts Written off/Provided	5,681	143
Deferred Revenue Expenses Amortisation:		
-Issue Expenses Amortised	365	944
-VRS Expenses Amortised	<u>-</u>	<u>2,813</u>
	365	3,757
TOTAL	<u><u>216,454</u></u>	<u><u>207,791</u></u>

	For the Year Ended 31st December, 2005	(Rs.in Thousands) For the Year Ended 31st December,2004
SCHEDULE 15 - FINANCIAL EXPENSES (NET)		
Bank Charges/Commission	6,237	5,164
Interest :		
-On Fixed Deposits	237	272
-To Bankers	18	45
-To Others	<u>498</u>	<u>189</u>
	753	506
Less:Interest Income Received (Includes tax deducted at source Rs.121 Thousands: Previous Year Rs.81 Thousands)	<u>(1,621)</u>	<u>(1,464)</u>
	<u>5,369</u>	<u>4,206</u>
Leasing Charges	60	2,026
TOTAL	<u><u>5,429</u></u>	<u><u>6,232</u></u>

SCHEDULE 16 - SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention (with the exception of freehold land which has been revalued), on the accrual basis of accounting & in accordance with the provisions of the Companies Act, 1956, and comply with the Accounting Standards and subsequent interpretations issued by Institute of Chartered Accountants of India ('ICAI'), to the extent applicable.

Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in India which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

II. FIXED ASSETS

- 1 Cost of fixed assets comprises of purchase price, duties, levies, and any directly attributable cost of bringing each asset to its working condition for the intended use.
- 2 Financing costs relating to deferred credits or borrowed funds attributable to the acquisition of qualifying fixed assets upto the completion of construction or acquisition of such fixed assets are included in the gross book value of the asset.
- 3 Cenvat credit availed for excise duty and countervailing duty availed for customs duty payments made on fixed assets is reduced from the cost of fixed assets.
- 4 Machinery spares which are specific to a particular item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the asset.

III. DEPRECIATION

Tangible Assets

Buildings are depreciated on written down value method at the rates prescribed in Schedule XIV to the Companies Act 1956 except those specified below.

Other fixed assets are depreciated on straight line method at the rates prescribed in Schedule XIV to the Companies Act 1956 except those specified below.

Following assets are depreciated at the rates higher than those prescribed in Schedule XIV to the Companies Act 1956 as in management's judgement, their estimated useful lives are shorter than those prescribed under Schedule XIV to the Companies Act 1956.

Asset	Method of Depreciation	Rate
Computers	Straight Line Method	25.00%
Vehicles	Straight Line Method	19.00%
General Furniture	Straight Line Method	9.50%
Office & Other Equipments	Straight Line Method	19.00%
Cellphones & Photocopiers	Straight Line Method	31.67%
Airconditioning Equipments used in manufacturing process	Straight Line Method	10.34%
Administrative Buildings	Written Down Value Method	10.00%
Electrical Fittings	Straight Line Method	10.34%

Depreciation on exchange fluctuations capitalised to fixed assets is provided over the residual useful life of the fixed assets. Depreciation on additions/deletions to fixed assets is provided prorata from the date of addition/till the date of deletion.

Leasehold lands - Premium paid for acquisition of leasehold lands is amortised over the period of lease.

Intangible Assets

Non compete fees paid are amortised over a period of 10 years commencing from July 1999 which represents the period of restriction.

Specialised Software is amortised over a period of 36 months commencing from the month in which such expenditure is incurred. All upgradations/enhancements are generally charged to profit and loss account, unless they bring significant additional benefits.

IV. FOREIGN CURRENCY TRANSACTIONS

- 1 Foreign currency current assets and current liabilities outstanding at the balance sheet date are translated at the exchange rates prevailing on that date and the net gain or loss is recognised in the profit and loss account.
- 2 Foreign currency translation differences relating to liabilities incurred for acquiring imported fixed assets are adjusted in the carrying cost of fixed assets. All other foreign currency gains and losses are recognised in the profit and loss account.
- 3 The premium or discount on forward exchange contracts is recognised over the period of contracts. The premium or discount in respect of forward exchange contracts related to acquisition of imported fixed assets is adjusted in the carrying amount of the related fixed assets. In respect of other forward contracts, it is recognised in the profit & loss account.

V. INVENTORIES (Also Refer II.4 above)

- 1 Inventories are valued at lower of cost and net realisable value.
- 2 The cost of manufactured inventories is the direct cost of manufacture plus appropriate allocated overheads.
- 3 The cost of bought out inventory is computed using the Weighted Average method.
- 4 The cost of base shells, which are classified as loose tools, is amortised over a period of 8 years from the year of purchase.

VI. REVENUE RECOGNITION

- 1 Revenue from sale of manufactured goods is recognised on despatch to customers.
- 2 Gross sales are inclusive of Sales Tax and Excise Duty.
- 3 Sales returns are accounted for in the year of return.
- 4 Significant Inter unit transfers of materials/labour services are made at prices agreed between the units which are benchmarked to market prices trends. The management has continued the practice of including inter unit sales in net sales & raw materials consumed as in its view this treatment helps in correctly evaluating the operating profit ratio & the asset turnover ratio. Further this treatment has no impact on the profits for the year or reserves.
- 5 Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.
- 6 Interest on investments is accounted on a time proportion basis taking into account the amounts invested and the rate of interest.

VII. RETIREMENT BENEFITS

Contribution 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 gratuity, leave encashment & exgratia, all defined benefit schemes, payable on retirement/termination based on valuation by an independent actuary at the balance sheet date.

VIII. INVESTMENTS

Long term investments are valued at cost and an appropriate provision is made for diminution, which is other than temporary, in their value.

Current investments are valued at cost or market value, whichever is lower.

IX. RESEARCH & DEVELOPMENT EXPENDITURE

Research and development expenditure of a revenue nature is charged off in the year in which it is incurred and expenditure of a capital nature is capitalised to fixed assets.

X. DEFERRED REVENUE EXPENSES

Issue Expenses

Share issue expenses incurred prior to 31st March, 1998 are amortised over a period of 10 years from the year of issue, and issue expenses incurred after 31st March 1998 are amortised over a period of 5 years from the year of issue.

Expenses incurred to raise debt are amortised over the period of the debt.

Other Deferred Revenue Expenses

Voluntary retirement scheme compensation is amortised over the expected benefit period of 36 months commencing July, 2001.

XI. TAXATION

- 1 Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income-Tax Act, 1961.
- 2 Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

XII. LEASES

- 1 Leasing charges paid/received respectively for all leases entered prior to 1st April 2001 are charged/credited to profit and loss account.
- 2 Leasing charges paid/received for operating leases entered after 1st April 2001 are charged/credited to profit and loss account.

XIII. IMPAIRMENT OF ASSETS

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

XIV. PROVISIONS & CONTINGENT LIABILITIES

The Company creates a provision where there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.