



HINDUSTAN LEVER AND VITALITY

Vitality links all our brands - uniting them in the role they play for the people who use them.

Vitality is a consequence of what we do; the end benefit being that our brands help people look good, feel good and get more out of life.

It's a simple statement, but a powerful one. It encompasses our brands, our culture and our commitments to society and the environment.

Our vitality mission will focus our business on new consumer opportunities. In the future our brands will do even more to add vitality to life.

These opportunities are growing out of some of the biggest issues in our country today - the increasing divide between rich and poor, urbanisation, changing diets and lifestyles.

Hindustan Lever is well placed to meet these challenges. Unique to us is the capability to understand the interrelationship between nutrition, hygiene and personal care. Our strong scientific capability and locally rooted consumer insight mean that we're in a strong position to make vitality relevant to people of all incomes, and to develop brands that meet the needs of consumers from a holistic point of view.





In India, over 600 million consumers choose our products.

That's a lot of opportunity to add vitality to life.

Our brands help people look good, feel good
and get more out of life.





dazzling smiles



gorgeous looks
pampered skin



uplifting beauty



*happy healthy kids
fresh laundry*



Natural goodness



clean hands





healthy hair

*a great meal
tasty treats*



sparkling dishes
more time for me



more time for everyone
A refreshing drink of tea



CHAIRMAN'S STATEMENT



Dear Shareholders,

The Indian economy continued to perform well in 2004. However, the FMCG markets declined for most of the year, as in the previous years. You will, I am sure, recall my view that the FMCG markets will return to growth as consumers are attracted back to our categories and brands. Indeed, this has begun to happen. The FMCG market is now growing modestly since the last few months. This revival augurs very well for the sector and for Hindustan Lever.

2004 has been an important year for your company - a year in which we faced unprecedented competition from global players, through large price reductions, as well as from a growing number of local players. We met this challenge head on and invested appropriately, including reducing our prices and further improving product benefits and quality, to protect our core FMCG business and market shares. I am happy to report that we have successfully blunted the attack and protected our market shares in most categories, most notably in Laundry. In Shampoos we saw a strong volume growth of over 30%, which is now reflecting in value and market share growth. This successful defense has however impacted profit in the short term. But we have protected our market position, and I am sure you will agree that market share is the best predictor of future profit.

The last few years have been very challenging and of great significance for your company. As India liberalized, we were confronted with intense competition and markets declining due to downgradation. We have resolutely executed a strategy to revitalize the company to face the challenges of the new environment and to enable ourselves to exploit the full growth potential that India offers.

Firstly, we have focussed the company on our core FMCG business and divested all our non-core businesses. The sales divested and discontinued since 1999 is Rs. 1750 crores - over 17% of the total in 1999. We have secured excellent value for these businesses. The Exports business is also completely focussed on FMCG and other core Exports.

Secondly, we have significantly improved the profitability of our Foods business. Four years ago we had a sizeable Foods business with very low profitability. Most of the Foods businesses had high cost structures, lacked differentiation and faced aggressive low price competition. Since then we have strengthened our key brands, reduced costs and totally re-engineered the supply chain. The Coffee business is delivering good growth and the Tea business has turned around. Our overall gross margins have improved substantially, giving us a platform to invest in growth in all categories, including Processed Foods.

Thirdly, we have resolutely sharpened and strengthened our brand portfolio. We now have 35 strong brands across our categories. These brands have been strengthened through investments in better quality, affordability, accessible pricing and advertising. We have invested over Rs. 400 Crores in improving

quality – in better formulations, perfumes and packaging. Our brands are now much more accessible with sachets and low unit packs across all categories. A number of key brands and packs are also more affordable now with lower consumer prices.

We have also built several capabilities, which will benefit us in the future.

The marketing and innovation processes are more responsive and robust. The level of direct consumer contact has increased substantially and is an integral part of brand development and activation.

Our Customer Management function has been modernized. We are leveraging our scale in servicing the Modern Trade and Rural Markets. An exclusive trade marketing team is in place along with dedicated activation resources. We are now on a Continuous Replenishment System (CRS) with our customers.

Our Supply Chain and IT capability has been enhanced. We have rapidly expanded our own capacity and adopted Total Productive Maintenance (TPM). IT projects have simplified processes delivering end-to-end connectivity, while backend processes are now managed through a common Shared Service infrastructure across the company.

The culture of enterprise within Hindustan Lever has been strengthened. The structure has been simplified moving from seven business units to two. We are working through empowered teams, increasing our speed to market. Leadership development is a priority in our training and development for all levels. We have an increasingly diverse management team. Our people have been and are our most valuable asset, and we continue to attract good talent in an increasingly competitive space.

Several new ventures have been started. Sangam, our e-tailing venture, has now been expanded to all of Mumbai. Hindustan Lever Network, our direct selling operation, has established a strong presence. Project Shakti, the rural venture, which leverages micro-enterprise for women, has spread its presence to over 60,000 villages, touching over 75 million rural people. We have recently entered the Water business in Chennai. These new ventures may be small today but are growth engines of the future.

Looking ahead, a vibrant economy, young population and growing aspirations provide a huge opportunity for the FMCG sector. Importantly, consumption and penetration levels for most categories are still very low. Hindustan Lever is today, well prepared to realize this opportunity. Over the last few years we have sharpened our business portfolio, strengthened our brands, simplified our organization and improved our functional capabilities. These strategic steps have begun to deliver good growth as evidenced by the growth in March Quarter 2005.

I have now been associated with Hindustan Lever for 28 years and as Chairman since May 2000. This is the last occasion for me to write to you. I thank you for your unstinted support over this period. I feel privileged to have enjoyed this long association with you and your company. I am confident that today Hindustan Lever, with its vibrant and energized team, is well poised to grow with India.

With best wishes,



M. S. Banga
Chairman



BOARD OF DIRECTORS



M. S. Banga
Chairman



M. K. Sharma
Vice Chairman



A. Adhikari
Managing Director
Home & Personal Care



S. Ravindranath
Managing Director Foods



D. Sundaram
Director Finance & IT

V.P. Legal and Company Secretary

Ashok Gupta

Registered Office :

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

Solicitors

Crawford Bayley & Co.

Auditors

Lovelock & Lewes



A. Narayan
Director



V. Narayanan
Director



D. S. Parekh
Director



C. K. Prahalad
Director

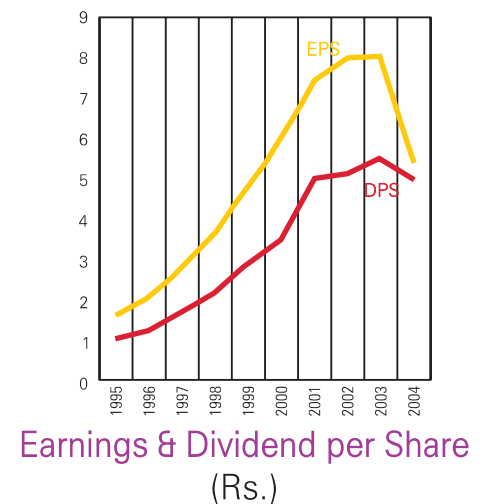
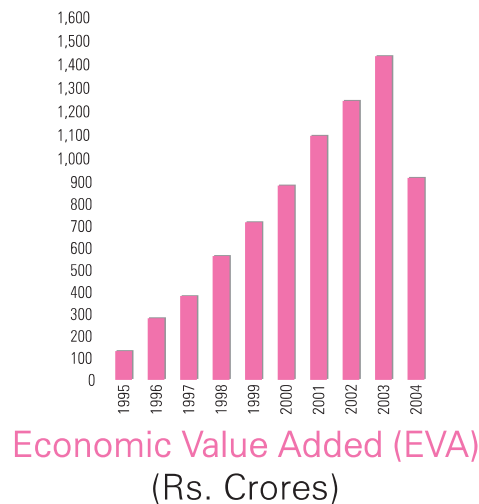
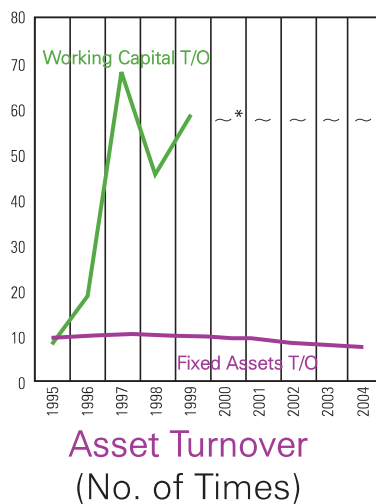
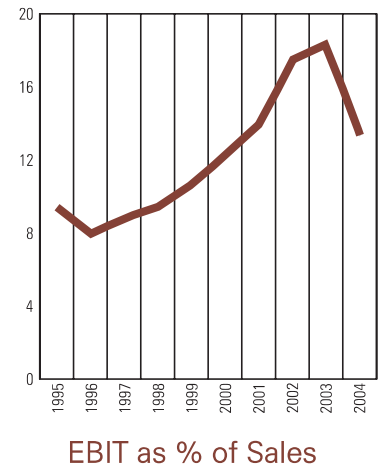
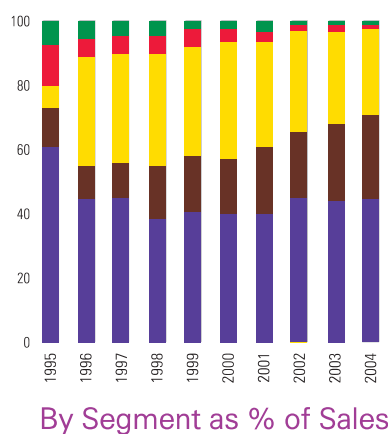
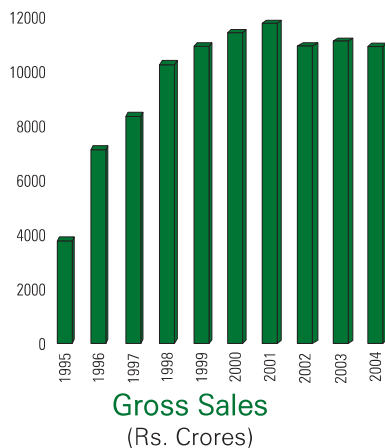


S. Ramadorai
Director

Bankers

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

Performance Trends 1995-2004



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
#Gross Sales (Rs. Crores)	3775	7120	8343	10215	10918	11392	11781	10952	11096	10888
By Segment % of Sales										
Soaps, Detergents & Household Care	61	45	45	39	41	40	40	45	44	45
Personal Products	12	10	11	16	17	17	21	22	24	26
Foods	7	34	34	35	34	37	33	30	29	27
Chemicals, Agri, Fertilisers & Animal Feeds	13	6	6	6	6	4	3	2	2	1
Others	7	5	4	4	2	2	3	1	1	1
EBIT as % of Sales	9.4	8.0	8.8	9.5	10.7	12.3	14.0	17.6	18.4	13.4
Fixed Assets Turnover (times)	9.5	9.9	10.5	9.7	10.0	9.5	8.9	8.3	8.1	7.2
Working Capital Turnover (times)	8.3	18.8	68.2	45.2	58.3	~*	~	~	~	~
Economic Value Added (EVA) (Rs. Crores)	126	272	365	548	694	858	1,080	1,236	1,429	887
E.P.S. of Re. 1 @	1.64	2.08	2.81	3.67	4.86	5.95	7.46	8.04	8.05	5.44
D.P.S. of Re. 1 @	1.00	1.25	1.70	2.20	2.90	3.50	5.00	5.16	5.50	5.00
P.A.T. / Net Sales (%)	6.3	5.8	7.0	8.2	9.8	11.5	13.1	15.8	16.3	11.0
R.O.C.E. (%)	49.1	52.9	61.1	58.7	61.8	64.6	62.4	59.4	60.2	45.9
R.O.N.W. (%)	37.5	41.6	46.0	48.9	50.9	52.7	53.9	48.4	82.8	57.2

Sales Before excise duty.

@ Adjusted for bonus issue.

* Denotes working capital is negative.

Report of the Directors and Management Discussion & Analysis

1. PERFORMANCE OF THE COMPANY

1.1 Results

Your Company's performance during 2004 is summarised below :

	Rs. Lakhs	
	2004	2003
Gross turnover	10888,38	11096,02
Turnover, net of excise	9926,95	10138,35
Profit before tax	1505,32	2244,95
Tax on profits	(306,05)	(440,61)
Exceptional Items	(1,93)	(32,55)
Net profit	1197,34	1771,79
Dividend (incl. tax on distributed profits)	(1246,15)	(1973,35)
Transfer to General Reserve	(125,00)	(178,00)
Profit & Loss Account balance carried forward	644,80	818,61

1.2 Key Ratios

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

	2004	2003
Earnings per share (Rs.)	5.44 (per share of Re. 1/- each)	8.05 (per share of Re. 1/- each)
Dividend per share (Rs.)	5.00 (per share of Re. 1/- each)	5.50 (per share of Re. 1/- each)
Return on Net worth (%)	57.2	82.8

1.3 Turnover

Gross turnover for the year declined by 1.9 % and net turnover declined by 2.1% primarily due to business disposals. The sales of products in different categories, net of excise, appears below:

Rs. Lakhs				
	2004		2003	
	Sales	Others*	Sales	Others*
Soaps, Detergents & Scourers	4447,98	22,76	4357,51	21,92
Personal Products	2434,83	37,41	2376,57	33,61
Beverages	1192,89	1,66	1184,18	—
Foods	285,07	—	601,80	66
Ice Creams	87,74	1,20	91,74	1,65
Exports	1249,02	—	1225,10	—
Others	229,42	45,31	301,45	49,28
Total	9926,95	108,34	10138,35	107,12

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

1.4 Summarised Profit and Loss Account

Rs. Lakhs

For the year ended 31 December,	2004	2003	Growth%
Net sales	9926,95	10138,35	(2.1)
Other income	318,83	459,83	(30.7)
Total income	10245,78	10598,18	(3.3)
Operating expenses	(8489,58)	(8161,68)	4.0
PBDIT	1756,20	2436,50	(27.9)
Depreciation	(120,90)	(124,79)	(3.1)
PBIT	1635,30	2311,71	(29.3)
Interest	(129,98)	(66,76)	94.7
Profit Before Taxation (PBT) and exceptional items	1505,32	2244,95	(32.9)
Taxation : Current tax	(266,00)	(427,36)	(37.8)
Taxation : Deferred tax	(54,74)	(60,94)	(10.2)
Taxation adjustments of previous years (net)	14,69	47,69	(69.2)
Profit After Taxation (PAT) and before exceptional items	1199,27	1804,34	(33.5)
Exceptional items (net of tax)	(1,93)	(32,55)	(94.1)
Net profit	1197,34	1771,79	(32.4)

2. RESPONSIBILITY STATEMENT

The Directors confirm :

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

3. CORPORATE GOVERNANCE

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

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

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

4. MANAGEMENT DISCUSSION AND ANALYSIS (MD & A)

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

5. PRODUCT CATEGORIES

During the year, your Company undertook a re-organisation of its business structure and formed two Divisions by way of integration of the Personal Products and Detergents businesses into (i) Home and Personal Care (HPC) Division and integration of the Beverages, Foods, and Ice Cream businesses into (ii) Foods Division. New ventures, Speciality Exports and Plantation continued to operate outside these two Divisions.

This report records the business performance of your Company in a simplified structure with a sharper focus on key brands and categories.

5.1 Home and Personal Care Business

The Home and Personal Care (HPC) business had a challenging year, with intense competitive pressures. During the year 2004 sales grew by 2.2%, which was below plans but broadly in line with the HPC market growth of 2.5%. The market was sluggish for most part of the year, with most categories recording negative to flat growth till September 2004 - it is only in the last quarter that the HPC market witnessed about 5% growth in volumes and value. The key strategic thrusts of your Company's HPC business during 2004 were : accelerate volume growth, continued innovation and activation on the brands, competitive pricing and increased brand investments.

5.1.1 Soaps and Detergents

In the Soaps and Detergents segment, your Company grew top-line by 2.1%, but declined in segment profits by 28.8% over 2003. Segment margins dropped from 24.8% in 2003 to 17.3% in 2004.

In the beginning of the year, there was intense competitive activity in the Fabric Wash category which started off with a round of sharp price cutting, followed by increased advertising and promotional spends. Determined to meet any competitive threat, your Company responded to these developments with a clear plan to protect the consumer franchise market shares. Prices of Surf Excel and Surf Excel Blue powders were dropped to match competition, which led to much lower realisations, partly compensated by volume growth. Significant investments were made in product innovations and quality, such as upgradation of the active detergent bases, perfume improvements and packaging presentations. Surf was relaunched as Surf Excel Blue with improved product performance at lower prices.

Surf Excel Quick Wash was introduced with low foaming properties that enables consumers to wash clothes effectively with substantial reduction in water usage. This product has been a big success in water scarce areas such as Tamil Nadu and Andhra Pradesh. Your Company is confident that this consumer-relevant and environment-friendly innovation will find greater acceptance throughout the country.

The unique 'zero mineral' detergent bar Rin Supreme continued to grow strongly, backed by great product performance and advertising. In the last quarter, Rin Shakti was relaunched as Rin Advanced, with improved quality and packaging appeal – the initial consumer response to this campaign has been positive. Consequently, the Rin franchise grew in value terms despite competitive pressures. Your Company's No.1 Brand Wheel – the common man's detergent, maintained its consistent growth record, gaining significantly in volumes and value. True to its promise of delivering good value for money, Wheel was significantly improved in quality terms, especially in detergency. Wheel Active continued to gain consumer acceptance, and helped sustain the growth momentum of this large brand, especially in geographies where its market shares were traditionally lower.

While all these investments in the Fabric Wash category have affected profitability, the actions have paid off since your Company has gained volume market shares and maintained value market shares despite aggressive competitive attack. Category volumes grew by 4.3% on a large base of nearly a million tons, and value growth was lower but still positive.

In the Toilet Soaps category, there was intense competition from local and regional players, some of whom are engaged in 'commoditisation' of this category. The first half of the year saw very high costs of vegetable oils in the global and local markets, which put immense pressure on profitability. In the later part of 2004, however, oil prices eased. Your Company made substantial investments in this key category, with positive results in 2004.

The flagship brand Lifebuoy continued to record double-digit growth, on the back of market share and volume gains. Lifebuoy which was transformed from a carbolic soap into a modern toilet soap in 2002 has been growing ever since. During 2004, Lifebuoy was relaunched in the first quarter with a unique shape, improved packaging and competitive price. Significant advertising spends on this brand, coupled with product and packaging upgradations, led to a strong top-line growth and gains in market share.

The other main soap brand Lux also saw significant innovations. Lux International was relaunched with improved formulation and in carton packing, and Lux Pink was relaunched in an appealing shape and packaging, enriched with 'skin care' ingredients. However, Lux faced

severe competitive pressures from several brands, as a result of which the brand was flat in top-line. Hamam was relaunched in Tamil Nadu with an improved formulation, enriched with Aloe Vera and other natural extracts. This initiative saw a dramatic consumer acceptance and volume growth. Dove, a highly successful international brand, almost doubled its volumes after your Company introduced a 75g pack priced at Rs. 25, and focussed on distribution and shelf availability across towns. Pears, the original glycerine soap, recorded double-digit growth once more aided by the introduction of a new 'Germ Shield' variant.

As a result of your Company's focus on supply chain efficiencies and improved mixes, inherent margins in Toilet Soaps continue to be healthy. These have been ploughed back into advertising as part of the strategy to build brands and to stem the 'commoditisation' of this category. While the top-line has grown marginally in 2004, your Company is confident that this strategy will pay off in the long run.

In the Dish Wash category, Vim continued to grow on the back of the consumer relevant 'polycoat' innovation in select geographies. Vim faces competition from several regional players, but continues to be a strong market leader.

5.1.2 Personal Products

In the Personal Products segment, your Company grew top-line by 2.6%, but declined in segment profits by 8.7% over 2003. Segment margins dropped from 36.7% in 2003 to 32.7% in 2004. Your Company gained significant market shares in Skin Care and recorded small gain in Toothpaste, but lost in Shampoos and Talcum Powders. The Personal Products segment also witnessed intense competition from both MNC and local players in all categories.

In Oral Care, the toothpaste market, which has been stagnating for more than two years, is now showing signs of growth especially in rural areas. Pepsodent continued to increase volumes driven by low unit price packs (Rs. 10 and Rs. 5) despite stiff competition from established and new low-cost players. Pepsodent Whitening was launched with 'Perlite' – this product performs exceedingly well in preventing yellowing of teeth and has been well received by consumers. Close Up, however, declined in volumes and in market share. To revive this brand, Close Up was relaunched with Vitamins and Fluoride and in an attractive packaging.

In the Hair Care category, your Company has three main brands, viz., Clinic Plus, Clinic All Clear and Sunsilk. Prices of large shampoo bottles were dropped from March 2004 and greater focus put on low price sachets to stimulate consumption. Led by a huge surge in offtakes of the 50p and Re.1 sachet packs and the Rs. 5 / Rs.10 small bottle packs, shampoo volumes grew by over 25%. However, value growth was affected due to pricing impact. Clinic Plus, the family health brand, was relaunched on the platform of "5 benefits". Clinic All Clear, the

anti-dandruff shampoo, was relaunched with an international mix and in a uniquely shaped bottle ; for the first time, a 'shaped' sachet was also introduced at an affordable price of Rs. 2. Your Company is confident that the strategy of focussing on growth in sachets and the low priced bottle packs, along with substantial investments in brand building activities, will help in building market share.

For the Skin Care category, it was another good year. The category growth was all-round with all 3 brands registering growths – Fair & Lovely, Pond's and Vaseline. A new variant of Fair & Lovely – the 'Oil Control Gel' was launched in the second quarter, and has been received well by consumers. A unique top-end range of skin care products under the umbrella of Fair & Lovely Perfect Radiance was also launched and is now sold in 500 exclusive counters in select cities. Fair & Lovely continued to gain market share, thanks to the continued growth in the sachet pack (Rs. 5) volumes and consumer acceptance of the variants.

Pond's Talcum Powder, which was relaunched in 2003 with a unique, consumer-friendly packaging, had another year of good growth in a stagnant market. The Rs. 5 mini Talcum pack led the growth in rural markets. Pond's Cold Cream continued to grow in volumes and value, with good offtakes coming from the mini Rs.5 pack in rural markets. The Vaseline brand saw a repeat of strong growth in both Lotions and Petroleum Jellies, helped by the introduction of a mini Rs. 5 Lotion pack and a successful relaunch of the Petroleum Jelly in a new attractive packaging.

Lakme had another great year of growth in both Colour Cosmetics and Skin Care. Several new introductions contributed to the brand's continued growth, notable amongst them being Lakme Sun Protection range, Jewel Sindoor, Dual Definition Lipcolor and Shimmer Eye Cube. Lakme Radiant, a popular face powder compact, was relaunched in an attractive packaging. The Lakme beauty salon business grew by 43% through increased footfalls in the existing salons and expansion of the network to 78 locations. The Lakme India Fashion Week was once again a big success, with participation by leading Indian fashion designers, huge media coverage and growing public interest in the event.

In the Deodorants and Male Toiletries category, both Rexona and Axe were severely impacted by the presence of imported 'grey' products in the market. Your Company is planning strong anti-grey actions to grow these strong Deodorant brands.

5.1.3 Customer Management

Your Company took major initiatives in the area of customer management and market activation. The focus of the sales force was redirected towards improving the quality of merchandising. This was done through training programmes, more empowerment of people, setting new standards in merchandising and changes in the field force

incentive plans. All these changes have led to a marked improvement in the quality of market activation and customer management and better discipline in sales promotions. Roll out of RSNNet, the tool for electronic connectivity, led to timely information on stockist inventories. As a result, your Company was able to implement a phased reduction in stockist holdings with faster rotation of stocks and increased frequency and reliability of order servicing.

Several programmes have been initiated to improve servicing to valued retail customers and improve the quality of activation at the Point of Purchase. Your Company's relationship with key customers such as Canteen Stores Department, Food World, Subiksha, Nilgiris, Big Bazaar, etc. was improved through focussed Modern Trade channel teams. The Company is well placed to partner with the growing Modern Trade. A dedicated Rural Channel team was set up with a separate field force and stockist network to cover the rural markets, which offer tremendous growth potential. A depot modernisation plan was initiated to automate warehousing operations and make them more efficient and customer-oriented – 9 depots have been modernised, and the balance will be covered in the next 2 years.

5.1.4 Supply Chain

In a year marked by sharp escalations in petroleum / petrochemical costs, retail price reduction and changing mix in favour of low priced packs, your Company's sharp focus on cost reduction programmes resulted in significant benefits. Your Company benefited from Unilever's global strengths, which led to significant buying cost advantages. Strategic alliances with many international and local vendors led to development of new technologies, new materials and joint cost reduction programmes, the benefits of which were shared between your Company and the vendors. Your Company was able to achieve several breakthroughs in factory efficiencies, resulting in significant productivity gains and conversion cost optimisation.

Two new factories were commissioned towards end 2004 at a total cost of Rs. 220 crores - a 100,000 TPA Soaps and Detergents factory at Barotiwala in Himachal Pradesh and a 50,000 TPA Personal Products factory at Haridwar in Uttaranchal. Several vendors have also set up supporting ancillary units in these two locations, which has led to significant employment generation. These two factories will help reduce overall supply chain costs in the northern region through scale efficiencies and fiscal benefits.

5.1.5 Indexport Ltd.

Indexport Ltd., which is a 100% subsidiary of your Company continued its focus on Filtered oils and Value added Hair Oils. Nihar Filtered Coconut Oil sales grew on the back of firm commodity prices. The value added Hair Oils range, under the Nihar brand name, grew significantly in volumes, value and profitability.

5.1.6 Kimberly - Clark Lever Pvt. Ltd.

Kimberly - Clark Lever Pvt. Ltd. (KCLL), the joint venture between your Company and Kimberly Clark Corporation, USA, had another year of outstanding performance. Turnover grew by 27% led by 24% growth in volumes. Profit before taxes increased by 25%, helped by turnover growth and operational efficiencies. Huggies is the market leader in the diapers market, and grew volumes by 36% and value by 31%. In the sanitary napkins category, Kotex faced severe competition from the market leader but still grew volumes by 19% and value by 20%, aided by Kotex Active in premium segment and Kotex Style in discount segment.

5.2 Foods

Following the re-organisation in April 2004, Processed Foods and Beverages businesses were integrated.

To derive full benefits of the integration and maximise supply chain synergies, significant initiatives were undertaken during the year. The entire supply chain of foods, including the sales force were integrated.

The ice creams factory at Nasik is being equipped with facilities for producing squashes and jams thereby upgrading the foods supply chain to world class standards and optimising cost. This along with other this initiatives will enhance flexibility, contribute to the growth plan and create centres of excellence in manufacturing.

A shared service for planning, sourcing and production scheduling has been established in Bangalore to ensure inventory management based on replenishment principles across the entire supply chain. This, in addition to ensuring freshness of product to consumers and high level of customer service, will also optimise stock levels leading to cost reduction.

The highlights of the individual categories are given below :

5.2.1 Tea

The strategy of the Tea business to deliver profitable growth through two MEGA brands, viz. Brooke Bond and Lipton, delivered good results for the second year. Your Company strengthened its dominance in packet tea market by building on the successful Brooke Bond launch of 2003, following a focussed strategy of strengthening the three sub-brands of Brooke Bond and expanding its presence to cover white spaces. High impact market activation at state levels and providing accessibility through consumer value packs helped in increasing Brooke Bond market share and its continued strong growth.

The Lipton brand targeted at modern young consumers was aggressively expanded in the Out Of Home (OOH) segment. Lipton Ice Tea was successfully test marketed in Bangalore and Chennai. With a proven mix, it is planned to expand its presence aggressively, leveraging the strength of the partnership with Pepsi. Your Company has identified

the OOH Channel as one of the growth drivers of the Beverages business. Having recorded aggressive growth for the last two years, the channel will now be used to drive growth for the entire Beverages and Foods categories.

5.2.2. Coffee

Coffee business had another exciting year. The instant coffee category registered strong growth aided by the relaunch of Bru with a new high impact identity backed by communication and modern pack formats. The brand franchise was further strengthened with the filter coffee brand, Deluxe Green Label being relaunched as Bru Roast & Ground. The change has been well received by consumers and is expected to drive growth and enhanced imagery for the brand. The year also witnessed the launch of Bru Malabar Roast & Ground in select geographies for discerning consumers of coffee. Growth in the year was also contributed by superior activation post the relaunch, penetration building activities and brand investment in strategic channels like OOH.

5.2.3 Processed Foods

The business had a very challenging year. A series of steps were taken to reduce trade stocks significantly in order to improve customer service and the freshness of products delivered to the consumer. Though this has affected the results of the business, it has not impacted the competitive position. Market shares across categories show an improvement over previous year inspite of severe competition from low-cost and multinational players.

With a strong innovation plan and a streamlined supply chain, the business is confident of improved performance in 2005.

5.2.4 Modern Food Industries (India) Limited

The Bread business continued to focus on profitable growth and margin improvement. There was an improvement in bread gross margin over 2003 by 140 basis points after absorbing the impact of sustained key input price increases during the year. To improve margins, a number of loss making SKUs/routes were rationalised/discontinued. In line with its business strategy, the management is focussed on turning around the bread business with restructuring of loss making units. The Company's reported sales were lower due to the cessation of the Supplementary Nutritional Foods business in Uttar Pradesh and Rajasthan. The business model moved from ancillary to franchisee units to improve operational efficiency, reduce costs through a more efficient and leaner organisation.

5.2.5 Ice Creams

Ice Cream business focussed on innovations based on the twin principles of affordability and excitability, to further strengthen the Kwaliti Walls brand. Key launches included Cornetto at Rs. 15 in select geographies, Feast Crunchy Chocobar at Rs. 12, Lime Punch at Rs. 10 and Sunshine

Zing cone at Rs. 10, thereby making the Kwaliti Walls brand experience accessible to more consumers through break-through cost reengineering and value delivery. In the take-home range, Viennetta vanilla-chocolate variant and new value-added multi-sensorial products such as Cake Crème and Chocolate Xcess, all at a price point of Rs. 99 were introduced. A unique Black Forest Sundae was launched in select geographies with a 100% vegetarian cake. The innovation of 100% vegetarian cake was also extended to the ever-popular Cassatta at a price point of Rs. 25. The response to all these innovations has been very good.

The business accelerated the new channel development work by rolling out more parlours across the country.

Availability and expansion, both in retail and mobile vending channels was accorded high priority with innovative low cost, low power consuming freezers and attractive visibility.

With an exciting range of innovations and its continued focus on cost and supply chain management the business is poised for improved performance in 2005.

5.2.6 Merryweather Food Products Limited

The sales for the year grew by 24% to Rs. 7.78 crores. The Company posted a profit after tax of Rs. 1.47 crores. The profit after tax improved due to better performance and also due to surplus on disposal of fixed assets.

5.3. Plantations

After four years of continuous fall, the tea prices reversed the trend in 2004, with the auction prices of both North and South Indian teas witnessing substantial improvement. Consequently, the business witnessed a growth of 7.6% in sales value. While improved realisations helped in containing losses, the rigidities in the cost structure (mainly labour costs which include social costs such as housing, education, health, foodgrains and firewood and other welfare measures) continue to affect the viability of the business.

The business continued its focus on improving productivity and quality. Crop levels improved in Assam while owing to bad weather there was a decline in South Indian crop. Certification to meet UQCSRM standards of Unilever was awarded to two factories, further enhancing quality assurance standards. Cordial industrial relations were maintained throughout the year.

The business also progressed initiatives under the Corporate Social Responsibility (CSR) project. A "Rickshaw Bank Project" providing alternative sources of employment to the local community was launched in Assam. Formation of Self-Help Groups (SHGs) was facilitated through active involvement with local communities. These form the vehicle through which employment and means of livelihood

generating schemes such as Poultry, Piggeries et al. Unilever driven Sustainable Agriculture Project aimed at creating economic value through operations/activities that do not cause adverse impact on the environment, or on the local communities in which we operate, progressed during the year. The improvement plan outlined the increased use of renewable energy, Integrated Pest Management practices, organic fertilizers, etc. Vermi-compost, produced in-house, Bio fertilizer and Bio pesticides used in Thiashola Estate, which is 100% organic went hand in hand with compliance with EU and Unilever norms on pesticide usage with regular residue analyses ensuring consumer safety of the product.

Improved water management systems were implemented in all drought-prone units in plantations in consultation with BAIF Development Foundation, Pune. Renewable energy from self-generated fuelwood and wind-power has progressed well.

Environmental Audit Protocol was developed in-house and audits are being carried out. The South India Team won the runner up prize in the Unilever photo competition during the year for the category "Environmental Care".

With several indigenous tree saplings planted out to enhance tree cover, your Company has worked with Nature Conservation Foundation, Mysore (NCF) in conserving biodiversity of the local forests, which included setting up rain forest species nurseries with different indigenous and endangered species. To involve the local tea firms and educate local population in environment conservation, company managers actively participated in establishing the Anamallai Bio diversity Conservation Association (ABCA).

5.3.1 Rossell Industries Limited

The Company incurred a Net Loss of Rs. 11.37 crores during the year 2004 as compared to a Net Loss of Rs. 26.35 crores during the year 2003. Net Sales during the year under review grew by 27% at Rs. 40.68 crores as compared to Rs. 32.07 crores in the previous year, aided by improved auction prices despite a marginal decline in sales volumes.

5.4 Speciality Exports

5.4.1 Castor

Castor business registered a significant top-line growth of 43%, driven entirely by higher volumes. In particular, the Derivatives business, identified as the growth engine, registered excellent top and bottom line growth of well over 100%, through expansion in customer base, superior customer service and improved portfolio. The bulk oil business also grew 35%.

5.4.2 Marine

Marine Products exports business maintained its shares despite tough conditions caused by declining US dollar and imposition of anti-dumping duty in the US on shrimp exports from 6 countries, including India. The handsome growth of 20% in European market helped the business to absorb the effect of disruption of business caused by anti-dumping duty in the US.

Several new customers were added in Europe whereas new markets developed include Greece, Romania, Belgium and Holland for crabsticks and Korea, Japan, Denmark, South Africa, Norway, Poland and Australia for shrimps.

Supplies to Supermarket chains started during the year includes Auchan in Spain, Jetro in the US and E Le Clerc in France. Unilever sourcing was extended to countries like Italy and Germany, in addition to Spain.

The Crabsticks facility at Chorwad has been awarded the accreditation by the British Retail Consortium thereby enabling us to enter the highly competitive UK market. Overall your Company maintained Number One position in Marine Exports from India.

5.4.3 Rice

In the Rice Exports, Rozana brand grew by 65% in the Popular segment. The branded business now constitutes over 30% of the total Rice Exports business.

Rice Meal Kits, the 9-minute basmati recipe in the value-added products category was extended to the US during the year.

5.4.4 Pond's Exports Limited - Leather

Leather business under Pond's Exports Ltd. (a 100% subsidiary of your Company) grew 13% over 2003 in a declining market. Both, Full Shoes as well as Uppers businesses achieved growth. The exit of Clarks, a large Uppers customer from India was well managed. This was replaced with customers like Eram from France and Richter from Austria. In Shoes, the business extended to children and ethnic segment during the year with supplies started to new customers, Primigi in Italy and Eegim in Holland.

The Government of India awarded the National Safety Award under the Scheme 3 & 4 of the National Safety Awards (NSA) to the Footwear Factory at Pondicherry for the year 2003. The Uppers business received second position and a certificate of merit in Footwear Components exports for the year 2003-04 from the Council of Leather Exports (CLE).

5.5 New Ventures

5.5.1 Water

Your Company has developed Pureit, the most advanced water purifier in the world. It is the only water purifier giving water as safe as boiled water without boiling and without needing electricity or continuous tap water supply at an affordable price. Pureit has Germkill Battery™ that gives water free from viruses, bacteria and parasites. It therefore provides 100% protection from all diseases like jaundice, diarrhoea, typhoid and cholera that come from drinking water. Pureit also removes pesticides that may be present in drinking water. For protection against viruses, bacteria, parasites and getting microbiologically safe drinking water, Pureit meets the germkill standard of the toughest regulatory agency in the USA, the EPA.

Pureit is a combination of unique technological breakthroughs and a team of over 100 Indian and international experts from HLRC and Unilever Research Centers have devoted over five years to develop this. The performance of Pureit has also been tested by leading scientific and medical institutions in India and abroad.

Consumers get six liters water that is as safe as boiled water for just one rupee. A unique business model involving setting-up of Pureit Safe Water Zone has been developed. In Pureit Safe Water Zone, consumers go through an experiential process giving one to one brand interaction. Pureit has been initially launched in Chennai and the response has been encouraging.

5.5.2 Hindustan Lever Network

Hindustan Lever Network is a multi-category business opportunity in the area of network marketing. In 2004, Hindustan Lever Network has become a lead network marketing business in the area of Home and Personal Care.

Based on superior consumer understanding and Unilever's world class technology, eleven new products were launched during the year. In addition, Aviance hair care range was relaunched as a unique 3-step hair care regime. The rapid pace of innovation ensured product sales more than doubled over previous year. The business now has a full line Home and Personal Care portfolio under four brands viz. Aviance, Denim Xclusive, Leverhome and Ayush Spa.

With induction of over 113,000 new consultants into the network the consultant base increased to 350,000. A vibrant training organization with a capacity to train 35,000 persons per month is in place providing customized training to the consultants across the country. Hindustan Lever Network is now present in over 220 locations across the country servicing over 1400 towns.

During 2005, Hindustan Lever Network would further build the channel capability. In addition, capabilities in Training, Information Technology, Supply Chain would be further upgraded to achieve sustainable competitive advantage.

5.5.3 Project Shakti

70% of Indian population lives in 627,000 villages and these markets with their large population present a significant opportunity for your Company. Over two thirds of these villages are not easily accessible due to poor infrastructure and lack of business viability. 'Shakti' is a unique, win-win programme addressing this opportunity. 'Shakti' operates through 3 initiatives :

Livelihood Model provides micro-enterprise opportunities for women from Self Help Groups (SHG's) making them direct-to-home distributors of HLL. Partnerships with several NGOs and support from state governments have been key enablers for the programme. This initiative is now operational in 12 states across the country. Currently, over 13,000 women entrepreneurs cover over 50,000 villages, earning an average income of Rs. 700/- per month, doubling their household income. By end of 2005, there will be 20,000 Shakti Entrepreneurs reaching out to over 80,000 small villages.

Shakti Vani is a communication initiative that seeks to improve the standard of living in the rural community. Village women are trained as 'Vanis' and disseminate information on basic hygiene practices, adoption of which will dramatically improve the health & hygiene standards in the villages. Shakti Vani currently covers 10,000 villages in Madhya Pradesh and Karnataka, and is being rolled out to other parts of the country in 2005.

iShakti is a rural community portal that provides relevant and valuable information for the rural populace. Information is available on areas such as agriculture, health and hygiene, education, veterinary, legal, employment, etc. thus filling the information gap that exists in the villages and unlocking rural productivity and prosperity. The site is completely in local language with text to voice facility enabling even the illiterate to get benefit of information. Currently over 400 iShakti kiosks are functional and by end of 2005 this would be scaled up to over 3,000 kiosks.

'Shakti' provides significant benefits for all its participants. For the SHG women, it provides a stable, sustainable source of income. For villagers, this channel has become a source of genuine and correctly priced products. Access to basic health and hygiene information through Shakti Vani and other relevant information through iShakti is improving living standards and unlocking rural prosperity in the villages. For your Company this initiative provides discontinuous increase in rural distribution doubling the rural coverage.

By end of 2005, 'Shakti' programme will significantly impact lives of over 100 million rural Indians.

5.5.4 Consumer Health Care

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

The business is developing strongly on three legs of traditional retail, direct selling and health & wellness services. Ayush is the first Ayurvedic brand to get into Therapy centers. Ayush Therapy Centers show promising signs of an independent business opportunity and 15 Ayush Therapy Centers have been launched across 7 cities of Chennai, Bangalore, Mumbai, Hyderabad, Goa, Pune and Delhi. Ayush Spa range was extended in direct selling channel through HL Network and has received excellent response. The launch of Ayush Poshak Rasayana and Ayush Pure Herbs would enable further gains in this channel. In traditional retail, the brand is doing well in select parts of the country. Based on the learning a stronger mix is being reworked to develop a Master Brand spanning across Personal Care segment.

5.5.5 SangamDirect

SangamDirect, the direct to consumer e-tailing initiative services orders placed by customers on phone or e-mail within 24 hours. It was further scaled up in Mumbai and a state of the art call center and pick-n-pack facility was put in place to achieve superior service levels at optimal costs.

Sangam offers a unique convenience benefit to customers, which is increasingly relevant in urban areas. Over 100,000 families have already tried out the convenience offered by Sangam. For your Company, this initiative provides strong growth potential. In the context of modernising retail sector in the country, Sangam's direct contact with customer enables your Company to anticipate customer needs better.

The Sangam Direct operates as a part of Indexport Limited, a wholly owned subsidiary of your Company.

6. RESEARCH & DEVELOPMENT AND TECHNOLOGY

Technology continues to be a key differentiator for your Company's brands and the effort by our scientists and technologists continue to be focussed on creating business-sustainable value to the consumers, through speedy conversion of appropriate scientific ideas.

Development of a superior technology platform to address one of the key issues facing Indian consumers, viz., purity and safety of the water they drink, was one of the prime achievements in 2004. A novel and exclusive combination of technological propositions was developed for in-home purification of water and the product was test marketed successfully. This device was developed through over five years of R & D, with its performance conforming to the most stringent EPA specifications for purification of drinking water of unknown origin. The device requires no electricity or pressurised water. Several other technological options to purify water for safe consumption are being explored, with the goal to offer a range of convenience/affordability options to consumers.

A new environment friendly technology to clean fabrics was tested in pilot scale and options to take the technology forward to benefit consumers are being explored.

Technology to improve in-use economy to dish wash bars was developed earlier. Its implementation was further refined in 2004 and the product rolled out in many parts of India.

The focus of technology in the beverages area has been on developing effective methods to screen actives, especially those of ayurvedic/herbal origin, and provide additional health benefits to consumers through tea. Several technological refinements have been introduced in manufacturing of tea and coffee, saving cost and/or improving products.

Launch of a kids-nutrition initiative, sauces for regional tastes, and novel formats for jams and sweet bread accompaniments were some of the developments in Foods.

New developments in the area of Personal Wash products include mild soap bars and Personal Wash bars with specific skin health benefits. Skin-lightening continues to be an area of focus for research and a new formulation, based on

Ayurvedic actives, was developed and launched. New research programs to improve skin and hair health have been initiated. An extensive research, combining the rich traditional knowledge in Ayurveda with the tools of modern science, has been launched. Work in this area is helping to rationalise therapeutic treatments and it is also expected to result in new propositions for skin/hair care and nutrition.

Overall, your Company is continuing to add value to its products and services through infusion of technology, built on a foundation that has been continuously broadened and strengthened.

7. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Occupational Safety and Environment Management continues to be an important area for your Company and received focussed attention throughout the year. The only acceptable standard of Safety performance for your Company envisions "zero accidents". During 2004, Accident Frequency Rate, already one of the lowest amongst Unilever Companies worldwide, reduced further.

Your Company is on a unique safety journey with an intensive focus on behavioural aspects of safety, along with continual improvements in engineering controls and safety management systems. For this purpose, your Company engaged M/s. DuPont, a global organisation reputed for its exemplary safety performance. More than 1500 managers and officers have undergone rigorous training to inculcate the behavioural change that is required to accomplish sustained excellence. This will also serve to reinforce the implementation of Unilever's Framework of Standards aligned to international standards of ISO 14001 / OHSAS 18001 which has significantly progressed as measured through independent periodic audits. During the year, Khamgaon and Sayli factories received the highest safety honour for any site within the whole Unilever world – the Premier and Regional Safety Trophies – for their exemplary safety performance. Five other Units also received Unilever's Gold/ Silver Safety Trophies. Rajpura factory received the "Sreshtha Suraksha Puraskar" from National Safety Council of India for practicing the highest standards of safety.

Your Company's ongoing programmes for continuous reduction of the environmental impact of operations have further reduced the environmental load of key parameters. These continue to remain well below the statutory requirements, with annual reduction targets for individual manufacturing sites monitored on a monthly basis. Your Company has recorded further reduction in specific energy consumption of 8% over 2003, through productivity improvements; induction of innovative energy-efficient process technologies, use of alternative sources of energy and recycling/reuse of energy stream where feasible. Recognising that fresh water is a national resource and in short supply in many parts of the country, your Company has developed a new detergent formulation - currently in the market - to significantly reduce use of water for washing

at the consumer's end. To conserve ground water, your Company has progressed rainwater harvesting projects at the manufacturing sites. Other sustainability projects such as greening of barren land in and around factories, vermicomposting of wastes into value added fertiliser supplement for cultivation and sustainable agricultural practices in tea plantations have progressed well.

8. PERSONNEL

The Human Resource agenda 2004 focussed on reinforcing leadership engagement, achieving the productivity in the manufacturing units through the process of bilateral negotiations and improving team working culture across levels in the organisation.

A large number of managers in leadership positions were provided inputs and support to imbibe and practice an engaging style of leadership, which incorporates coaching of team members as a key element. These are critical steps to bring about the cultural change, which is aligned to the goal of being a "great place to work in". The culture of working in teams to achieve the priority business goals was driven with passion and commitment.

The TPM journey continued to make considerable impact at the manufacturing units. The adoption of TPM in sales establishments has also taken deep roots and Mumbai branch has achieved Level 1 certification as well. During the year 2004 six units achieved Level 1 (TPM Excellence Award) and three units achieved Level 2 (Consistency in TPM Excellence Awards). With this nineteen units of your Company are Level 1 certified and four units are Level 2 certified.

During the course of the year, productivity linked Long Term Settlement were signed in thirteen units through a process of bi-lateral negotiations with the employee representatives.

The different product categories have been re-organised into large business divisions - Home and Personal Care, which comprises erstwhile Detergents and Personal Products, Foods, which includes erstwhile Beverages, Processed & Popular Foods and Ice Creams. The movement of people and consequent achievement of synergies have been managed in a smooth and seamless manner.

9. ACQUISITIONS & DISPOSALS

9.1 Acquisitions

No business acquisition was made during the year.

9.2 Disposals

9.2.1 In line with the Company's business strategy to exit non-core businesses, the Company completed formalities for disposal of its Mushroom business which formed part of KICM (Madras) Ltd.

9.2.2 Your Company has disposed its balance shareholding in its Seeds business on and from 30th March, 2005.

9.2.3 Your Company's subsidiary Lipton India Exports Ltd.

together with Unilever Overseas Holdings BV, the Netherland based wholly owned subsidiary of Unilever PLC, disposed off their respective holdings of 61,85,642 equity shares and 37,00,000 equity shares in Rossell Industries Ltd. (RIL) constituting approx. 97.5% of the total equity of RIL in favour of MK Shah Exports Ltd., an unlisted company engaged in the Tea Exports and Plantations business.

9.2.4 Your Company has approached the Members for their approval under Section 192A of the Companies Act, 1956 to transfer the Company's Tea Plantations, Doom Dooma Division in Assam and Tea Estates Division in Tamil Nadu to wholly owned subsidiaries. The rationale for this has been duly set out in the Explanatory Statements. These will be progressed in 2005, subject to necessary approval of the members through postal ballot.

10. MERGERS & AMALGAMATIONS

It is proposed that in order to simplify the Corporate structure, Lever India Exports Ltd., Lipton India Exports Ltd., Merryweather Food Products Ltd., International Fisheries Ltd. and TOC Disinfectants Ltd., the five subsidiaries of the Company be merged with the Company itself. Of these three, viz. Lever India Exports Ltd., Lipton India Exports Ltd. and Merryweather Food Products Ltd. are 100% subsidiaries while International Fisheries Ltd. and TOC Disinfectants Ltd. are over 99% subsidiaries. The proposed amalgamation is primarily designed for simplification and has no material impact either in terms of operations or in terms of capital structure of the Company.

11. EMPLOYEE STOCK OPTION PLAN (ESOP)

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

None of the management employees or whole-time directors have received options exceeding 5% of the value of the options issued for the year ending December 2004.

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

Since the Scheme provides for a minimum of three year period for vesting of the options, the stock options granted during the year 2002 would be eligible for exercising on or after April 1, 2005.

12. TSUNAMI RELIEF

Your Company has always been a front runner in its call for national duty and caring for the community. Its employees not only donate generously, but also volunteer to take part in relief operations by committing their time and physical effort. This is in line with your Company's corporate value of "care" and our CSR mission which has

become an integral part in our way of doing business.

Your Company has accordingly committed a total outlay of Rs. 8 crores for immediate relief and helping people to rehabilitate themselves so that they can resume their livelihood in the tsunami-hit areas of Pondicherry, Tamil Nadu and Kerala. Of this, Rs. 5 crores was provided for distribution of the Company's nutritional and personal hygiene products for immediate relief to the needy. Another Rs. 3 crores will be raised partly by contributions from company employees and the balance contribution from the Company to be used in collaboration with NGOs working with the community to provide the people, notably fishermen, with means of livelihood and help them back on their feet.

Employees of factories and offices in Pondicherry, Tamil Nadu and Kerala also provided necessary relief to the tsunami-hit people. The relief operations included, distribution of bread and biscuits in Pondicherry, cooked meals for families in Chennai, Nagapattinam, Cuddalore and Andamans.

13. INFORMATION TECHNOLOGY

Your Company has continued consolidating information technology investments to maximise business value.

Significant progress has been made during the year to strengthen use of technology for sales and field activities. More Stockists now leverage IT to collaborate with the company for replenishing their stocks and receiving web-based information on promotions, new product launches, order and billing status. Your Company has enhanced the power of datawarehouse through a delivery portal to give actionable information to field personnel on the move. IT is now enabling process changes in sales, reducing clerical efforts and releasing productive sales time.

During the year IT has enabled to realise greater value in Supply chain. Optimizing transportation of finished goods from factories to just-in-time warehouses and leveraging greater logistics synergy in the restructured HPC and Foods businesses have helped to improve stock availability while reducing supply chain costs. Key operational performance metrics are now tracked and published everyday, enhancing compliance with plans. IT has helped to centralise material planning and integrate seamlessly with planning for production. Supplier portal is used to collaborate with key suppliers and exchanging relevant data.

Your Company continued to invest in technology. The VSAT network is enhanced with new Ku band technology at lower operational costs. The leased lines in the core network have been replaced with a virtual private network using MPLS technology. This provides greater reliability, enables need based bandwidth usage at lower costs. The central computing power has been augmented to support increasing operational load.

IT is also extensively leveraged to enhance team working across multiple locations. Video conferencing facilities are established at all major locations.

The computing power is now spread across three data centers, optimising demand on network bandwidth while providing an adequate disaster recovery capability. High priority is given to information security. Specific exercises have been carried out to identify any vulnerability and plug them in a robust manner.

IT is exploited as a strategic tool to enhance business value and new ways of doing business.

14. SHARED SERVICES - INDIGO LEVER SHARED SERVICES LIMITED

Shared Services in Finance and Accounting continued to be a thrust area leading to improvements in quality and efficiency of the finance and accounting function. The National Centre for Sales Commercial in Chennai has brought significant process improvements and efficiencies in the sales accounting area. During the year, shared services for the manufacturing units in the HPC business was commenced at the centre in Bangalore. Shared services for the offices in Mumbai and Bangalore were also undertaken at the Bangalore centre. The Bangalore and Chennai shared service centres while offering a disaster recovery protection for each other, will continue to drive the adoption of shared finance and accounting services across the Company.

15. FINANCE & ACCOUNTS

Cash generation during the year continued to be very good arising from business performance, enhanced capability of the supply chain and efficient collection system. In the context of a significant increase in interest rates, your Company managed the investments prudently by deployment of cash surplus in a balanced portfolio of safe and liquid debt market instruments; returns earned were higher than market benchmarks. Your Company continues to enjoy P1+ rating by CRISIL for its commercial paper programme. However, no commercial paper was placed during the year.

The total amount of fixed deposits taken by the Company as of December 31, 2004 was Nil. Deposits amounting to Rs.14.10 lakhs were unclaimed by depositors as at December 31, 2004.

An amount of Rs. 1321 crores was disbursed by way of redemption of the Bonus Debentures of a face value of Rs. 6/- and an amount of Rs. 59.59 crores was disbursed by way of half-yearly interest at the rate of 9% p.a. on Bonus Debentures issued by the Company.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules 2001, Rs.182.51 lakhs of unpaid/unclaimed dividends, interest on debentures and deposits were transferred during the year to the Investor Education and Protection Fund.

RONW, ROCE and EPS for the last five years

For the year ended 31 December,	2000	2001	2002	2003	2004
RONW	52.7%	53.9%	48.4%	82.8%	57.2%
ROCE	64.6%	62.4%	59.4%	60.2%	45.9%
EPS of Re.1	5.95	7.46	8.04	8.05	5.44

Economic Value Added (EVA)

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

Years	EVA	Average capital employed	EVA as % of capital employed
2000	858	2389	35.9
2001	1080	2816	38.4
2002	1236	3396	36.4
2003	1429	3780	37.8
2004	887	3704	23.9

The above EVA has been computed under very conservative assumptions. A detailed note on EVA is given in page F38.

Segment-wise results

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

Segment revenue, results and capital employed

Rs. Crores

For the year ended 31 December,	2004	2003
Segment Revenue (Sales plus Income from Services)		
Soaps and Detergents	4,470.74	4,379.43
Personal Products	2,472.24	2,410.18
Beverages	1,194.55	1,184.18
Foods	285.07	602.46
Ice Creams	88.94	93.39
Exports	1,249.02	1,225.10
Others	300.15	387.84
Total	10,060.71	10,282.58
Less : Inter-segment revenue	(25.42)	(37.11)
Net Sales/Income from Operations	10,035.29	10,245.47

Consisting of		
a) Net Sales	9,926.95	10,138.35
b) Service income from operations	108.34	107.12
Segment Results (PBIT)		
Soaps and Detergents	775.06	1,088.28
Personal Products	807.50	884.10
Beverages	238.71	224.84
Foods	(81.76)	0.56
Ice creams	(4.69)	0.39
Exports	39.62	61.53
Others	(32.87)	(15.00)
Total	1,741.57	2,244.70
Less : Interest expense	(129.98)	(66.76)
Add : Unallocable income net of other unallocable expenses	(106.27)	67.01
Total Profit (PBT)	1,505.32	2,244.95
Capital employed in segments (Segment assets less liabilities)		
Soaps and Detergents	276.86	162.37
Personal Products	291.72	212.30
Beverages	(21.18)	(32.22)
Foods	13.10	53.84
Ice Creams	(0.38)	6.18
Exports	448.56	340.31
Others	63.43	119.45
Total	1,072.11	862.23
Add : Unallocable corporate Assets less Liabilities	1,020.60	1,276.50
Total Capital Employed in Hindustan Lever Ltd.	2,092.71	2,138.73

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

Risk and Internal Adequacy

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

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

For a FMCG company economic growth has a direct impact on its performance. Your Company's outlook for the economy in 2005 is optimistic, and your company expects a GDP growth of about 6-7% subject however to the vagaries of Monsoon and or other unanticipated developments. Your Company's plans for business development, revenue generation and profit growth factors in this GDP growth.

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

Out of the Net Profit of Rs.1197.34 crores for the year, an amount of Rs.125 crores was transferred to General Reserve as per the Companies (Transfer of Profits to Reserves) Rules, 1975. The Board of Directors at the meeting held on February 11, 2005, recommended a final dividend of Rs. 2.50 per share of Re. 1/- each for the year 2004 subject to approval of the shareholders. This final dividend together with the interim dividend of Rs. 2.50 per share of Re. 1/- each, which was paid to the shareholders on July 29, 2004 amounts to a total dividend of Rs. 5.00 per share. Total payout during the year including distribution tax amounts to Rs. 1246.15 crores. This involves a draw down of Rs.173.81 crores from the profit and loss account carried forward from previous years.

17. DEPOSITORY SYSTEM

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). SEBI has directed that 'No Custody Charge' shall be levied on any investor who would be opening a demat account on or after 1st February 2005. This is an added benefit over and above the existing advantages offered by the Depository System. Members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

18. DIRECTORS

Mr. Harish Manwani, President – Asia & Africa of Unilever has been co-opted as an Additional Director on the Board of the Company on and from April 29, 2005.

Mr. Manwani is 51 years old and holds a Bachelor's degree in Statistics and Economics and a Master's degree in Management Studies from the Jamnalal Bajaj Institute in Mumbai. He joined the Company as a Management Trainee in June 1976 and has held various positions within your Company. In 1995, he was appointed to the your Company's Board and assumed responsibility as Director - Personal Products. In 2000, he moved to Unilever in London as Senior Vice President for the global Oral and Hair Care categories. Subsequently he became Business Group President for Latin America and then for North America for the HPC Business.

In April 2005, Mr. Manwani was appointed as President Asia and Africa part of the 8-member Unilever Executive team which has responsibilities for the Company's worldwide operations.

Mr. Manwani would hold office till the conclusion of the

AGM. The requisite notices, together with necessary deposits have been received from members pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Manwani as a Director of the Company at the ensuing AGM.

In accordance with the Articles of Association of your Company, all the Directors of your Company except Mr. Arun Adhikari and Mr. S. Ravindranath, the two Managing Directors who have a five-year term effective May 1, 2004, will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-election, save and except, Mr. M.S. Banga, who has decided not to seek re-election consequent to his move to Unilever as President – Foods and would step down from the Chairmanship of your Company at the conclusion of the AGM.

Mr. M.S. Banga had an illustrious career with your Company since 1977 when he joined as Management Trainee. He held diverse positions and joined the Board in August 1995 as Director in charge of Detergents business. After a brief stint with Unilever during 1999-2000, Mr. Banga returned to your Company as Executive Chairman, which position he held till June 30, 2004, after which he became Non-Executive Chairman of your Company. Mr. Banga has served your Company with great distinction during a period when India was opening upto global markets and your Company faced significant competitive challenges both from domestic and international players. Mr. Banga implemented a strategy which involved focussing your Company on certain power brands, improve the profitability of its Foods Business and to find appropriate homes for its non-core businesses and exit from the same while realising good value for shareholders. He also took decisive steps to simplify the organisation.

The Board places on record its appreciation for the distinguished and meritorious service rendered by Mr. Banga in his capacity as Executive Chairman and later as Non-Executive Chairman of your Company and wishes him success in his future endeavours.

19. AUDITORS

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

20. APPRECIATION

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

21. TRADE RELATIONS

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

On behalf of the Board

M.S. Banga
Chairman

Mumbai,
May 4, 2005

ANNEXURE TO THE DIRECTORS' REPORT, 2004

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

	Stock Option 2001	Stock Option 2002	Stock Option 2003	Stock Option 2004
a) Options granted 24,75,100 equity shares	32,33,601 equity shares of Re. 1/- each valued at Rs. 5382.11 lakhs	42,76,090 equity shares of Re. 1/- each valued at Rs. 6801.88 lakhs	16,30,450 equity shares of Re. 1/- each valued at Rs. 5815.48 lakhs	of Re. 1/- each valued at Rs. 2094.64 lakhs
b) The Pricing Formula	Closing market price as on the date of option grant - 24.7.2001 Rs. 217.45	Closing market price as on the date of option grant - 23.4.2002 Rs. 210.35	Closing market price as on the date of option grant - 24.4.2003 Rs. 136.00	Average of high and low for two week period proceed the date of option grant - 30.6.2004 Rs. 128.47
c) Fair Value of Options based on Black Scholes methodology (details available on company website). Assumptions : Risk free interest rate Expected life of options Expected volatility (based on daily market closing price for 3 years - 2002 to 2004) Expected Dividends Closing market price of share on date of option grant	—	—	—	Rs. 35.25 6.75% 7 years 28.56% Rs. 5.00 per share Rs. 127.30
d) Options vested	Options vested after three years from date of grant (24.7.2001)	Options vested after three years from date of grant (23.4.2002)	NA – Since options not exercisable before the expiry of three years from the grant of option (24.4.2003)	NA – Since options not exercisable before the expiry of three years from the grant of option (30.6.2004)
e) Options exercised	NIL	NIL	NA	NA
f) The total number of shares arising as a result of exercise of options	24,75,100 equity shares of Re. 1/- each valued at Rs. 5382.11 lakhs	32,33,601 equity shares of Re. 1/- each valued at Rs. 6801.88 lakhs	42,76,090 equity shares of Re. 1/- each valued at Rs. 5815.48 lakhs	16,30,450 equity shares of Re. 1/- each valued at Rs. 2094.64 lakhs
g) Options lapsed (as at December 31, 2004)	2,75,900 equity shares of Re. 1/- each	3,18,316 equity shares of Re. 1/- each	3,16,700 equity shares of Re. 1/- each	56,100 equity shares of Re. 1/- each
h) Variation of terms of options	NA	NA	NA	NA
i) Money realised by exercise of options	NA	NA	NA	NA
j) Total number of options in force	21,99,200 equity shares of Re. 1/- each	29,15,285 equity shares of Re. 1/- each	39,59,390 equity shares of Re. 1/- each	15,74,350 equity shares of Re. 1/- each
k) Employee-wise details of options granted to :				
i) Senior managerial personnel	—	—	—	Details in Appendix
ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;	NA	NA	NA	NA
iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant;	NA	NA	NA	NA
l) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	NA – Since no options have been exercised till date.	NA – Since no options have been exercised till date.	NA – Since no options have been exercised till date.	NA – Since no options have been exercised till date.

Note : Stock Options for 2005 have not been granted as on the date of the Directors' Report. These will be appropriately disclosed after such Grant is made.

APPENDIX

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

Name of the Manager	Stock Options granted 2004
M.S. Banga	47500
M.K. Sharma	17600
D. Sundaram	17600
A.S. Abhiraman	8800
Arun Adhikari	22000
Gunender Kapur	17600
Anoop K. Mathur	13200
J.H. Mehta	4400
S. Ravindranath	22000
Dalip Sehgal	11000

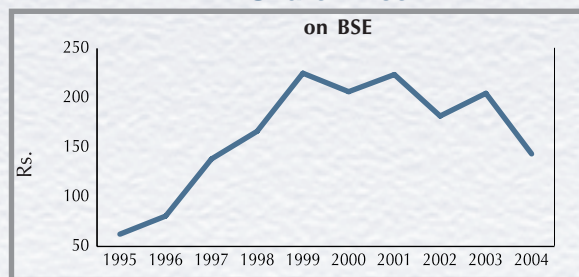
10-YEAR RECORD

Rs. Lakhs	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Profit & Loss Account										
Sales*	3774,88	7120,06	8342,75	10215,24	10917,69	11392,14	11781,30	10951,61	11096,02	10888,38
Other Income	66,70	118,08	183,87	244,74	318,98	345,07	381,79	384,54	459,83	318,83
Interest	(20,15)	(57,00)	(33,89)	(29,28)	(22,39)	(13,15)	(7,74)	(9,18)	(66,76)	(129,98)
PBT @	372,22	605,25	850,25	1130,44	1387,94	1665,09	1943,37	2197,12	2244,95	1505,32
PAT @	239,22	412,70	580,25	837,44	1069,94	1310,09	1540,95	1731,32	1804,34	1199,28
EPS of Re. 1 (adjusted for bonus)	1.64	2.08	2.81	3.67	4.86	5.95	7.46	8.04	8.05	5.44
DPS of Re. 1 (adjusted for bonus)	1.00	1.25	1.70	2.20	2.90	3.50	5.00	5.16	5.50	5.00
Balance Sheet										
Fixed Assets	395,56	721,71	794,09	1053,77	1087,17	1203,47	1320,06	1322,34	1369,47	1517,56
Investments	122,83	328,77	531,57	697,51	1006,11	1769,74	1635,93	2364,74	2574,93	2229,56
Net Deferred Tax	—	—	—	—	—	—	246,48	269,92	267,44	226,00
Net Current Assets	457,67	378,67	122,42	226,06	187,25	(373,38)	(75,04)	(239,83)	(368,81)	(409,30)
	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	3717,17	3843,03	3563,82
Share Capital	145,84	199,17	199,17	219,57	220,06	220,06	220,12	220,12	220,12	220,12
Reserves & Surplus	492,44	792,36	1062,33	1493,46	1883,20	2268,16	2823,57	3438,75	1918,60	1872,59
Share Premium Suspense Accounts	177,57	177,57	—	—	—	—	—	—	—	—
Loan Funds	160,21	260,05	186,58	264,31	177,27	111,61	83,74	58,30	1704,30	1471,11
	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	3717,17	3843,03	3563,82

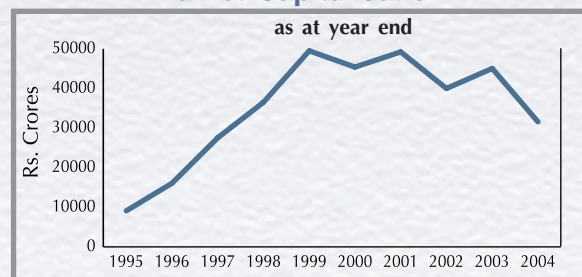
@ Before Exceptional Items

* Sales before Excise Duty Charged

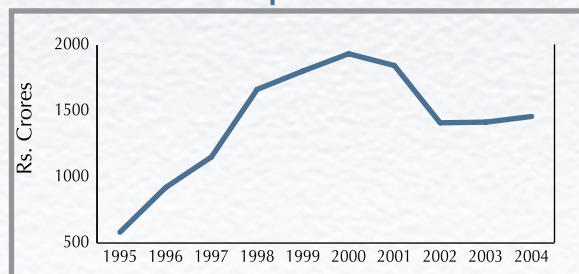
HLL Share Price



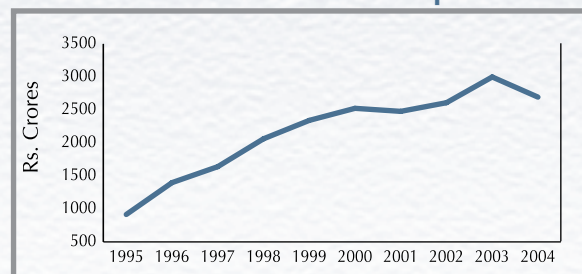
Market Capitalisation



Exports



Contribution to Exchequer



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
HLL Share Price on BSE (Rs. per Share of Re. 1) *	62.40	80.70	138.35	166.35	225.00	206.35	223.65	181.75	204.70	143.50
Market Capitalisation (Rs. Crores)	9,100	16,073	27,555	36,525	49,513	45,409	49,231	40,008	45,059	31,587
Exports (Rs. Crores)**	582	921	1,152	1,664	1,803	1,934	1,845	1,411	1,416	1,459
Contribution to Exchequer (Rs. Crores)	915	1,398	1,640	2,062	2,341	2,524	2,478	2,609	2,999	2,694
Economic Value Addition (EVA) (Rs. Crores)	126	272	365	548	694	858	1,080	1,236	1,429	887

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

** Includes exports made by subsidiaries.

Corporate Governance

At Hindustan Lever Limited, our pursuit towards achieving good governance is an ongoing process, as a conscious and conscientious effort thereby ensuring truth, transparency, accountability and responsibility in all our dealings with our employees, shareholders, consumers and the community at large.

We at Hindustan Lever believe that for a company to succeed it must maintain global standards of corporate conduct towards all its stakeholders. The Company believes that it is rewarding to be better managed and governed and to identify and align its activities with national interest. To that end, we as a company have always focused on good corporate governance – which is a key driver of sustainable corporate growth and long term value creation.

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

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

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

BOARD OF DIRECTORS

(a) Composition of the Board

During the year, the management and organisation structure of the Company was re-organised in order to drive growth such that it will not only simplify the organisation and reduce complexity, but will also enable sharper focus on key brands and categories, and thereby ensure better resource deployment to generate competitive advantage by harnessing synergies of size and scale across businesses. The new organisation and leadership changes was also proposed to enable the Company to leverage its linkages with Unilever across Asia more effectively.

Pursuant to the above changes, Mr. M.S. Banga even though he ceased to be in the full time employment of the Company having moved to Unilever as BGP HPC-Asia effective 1.7.2004, he continued to provide strategic leadership and operational direction to HLL in his capacity as Non-Executive Chairman of the Board. In addition, the National Management Committee comprising Mr. M.K. Sharma – Vice chairman, Mr. D. Sundaram, Director – Finance & IT, Mr. Arun Adhikari, Managing Director - HPC and Mr. S. Ravindranath, Managing Director – Foods and chaired by Mr. M.K. Sharma is vested with the responsibility for Company's performance and results, corporate reputation, environment management and overall co-ordination of the Divisional structure and Corporate functions. The statutory Board has equal number of independent and non-independent directors, representing the optimum mix of professionalism, knowledge and experience. Details are given in Table 1.

(b) Number of Board meetings

Hindustan Lever held seven Board meetings during the year ended 31 December, 2004. These were on February 17, 2004; April 15, 2004; April 29, 2004; June 18, 2004; July 29, 2004; October 28, 2004 and December 21, 2004 and the maximum interval between any two meetings was 90 days.

(c) Directors' attendance record and directorships held

See Table 1 for details.

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

Name of Director	Position	Board meetings held during the year	Board meetings attended during the year	Whether attended last AGM	Directorships in other public limited companies incorporated in India**
M.S. Banga*	Non-Executive Chairman Director	7	7	Yes	2 (1)
M.K. Sharma	Executive Vice-Chairman and whole-time Director	7	7	Yes	6 (2)
D.S. Parekh	Non-Executive and independent Director	7	5	No	16 (13)
V. Narayanan	Non-Executive and independent Director	7	7	No	13 (8)
C.K. Prahalad	Non-Executive and independent Director	7	3	No	Nil
A. Narayan	Non-Executive and independent Director	7	6	Yes	3 (1)
S. Ramadorai	Non-Executive and independent Director	7	3	Yes	9 (5)
D. Sundaram	Whole-time Director (Finance & Information Technology)	7	7	Yes	5 (1)
Arun Adhikari***	Managing Director (Home & Personal Care)	4	4	Yes	3
S. Ravindranath***	Managing Director (Foods)	4	4	Yes	1
Aart Weijburg (Ceased to be Director w.e.f. 30.4.2004)	Whole-time Director (Detergents)	2	2	No	NA

Notes : * Executive Chairman upto June 30, 2004 and Non-Executive Chairman with effect from July 1, 2004.

** Figures in () indicates listed companies.

*** Appointed with effect from May 1, 2004.

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

As at the year end, none of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement. While Mr. V. Narayanan was holding membership in 11 Board committees, for a short period during the year, he has subsequently resigned from one of the committees during the year and his membership of board committees became fully compliant with the requirement of Clause 49 of the listing agreement.

(d) Information supplied to the Board

Among others, this includes :

- * review of annual operating plans of businesses, capital budgets, updates,
- * quarterly results of the Company and its operating divisions or business segments,
- * minutes of meeting of audit committee and other committees,

- * information on recruitment and remuneration of senior officers just below the Board level,
- * materially important show cause, demand, prosecution and penalty notices,
- * fatal or serious accidents or dangerous occurrences,
- * any materially significant effluent or pollution problems,
- * any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- * any issue which involves possible public or product liability claims of a substantial nature,
- * details of any joint venture or collaboration agreement,
- * transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- * significant labour problems and their proposed solutions,
- * significant development in the human resources and industrial relations fronts,
- * sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business,
- * quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
- * non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

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

(e) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transaction or relationships between Hindustan Lever and its Directors for the year ended December 31, 2004 that may have a potential conflict with the interests of the Company at large.

Non-material Related party transactions in the normal course of business and conducted at arms length are duly recorded in the Register of Contracts maintained by the Company pursuant to Section 301 of the Companies Act, 1956.

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

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

Table 2 : Remuneration paid or payable to Directors during the year 2004

Rupees

Name of Director	Relationship with other Directors	Sitting fees	Commission on profits	Salary	Contribution to PF	Perquisites	Total
M.S. Banga ¹	None	NA	56,31,120	28,15,560	10,13,603	13,10,505	1,07,70,788
M.K. Sharma	None	NA	83,06,688	41,53,344	14,95,201	24,45,761	1,64,00,994
D.S. Parekh	None	1,40,000	5,00,000 @	NA	NA	NA	6,40,000
V. Narayanan	None	2,20,000	5,00,000 @	NA	NA	NA	7,20,000
C.K. Prahalad	None	1,20,000	5,00,000 @	NA	NA	NA	6,20,000
A. Narayan	None	3,00,000	5,00,000 @	NA	NA	NA	8,00,000
S. Ramadorai	None	1,00,000	5,00,000 @	NA	NA	NA	6,00,000
D. Sundaram	None	NA	77,83,776	38,91,888	14,01,083	10,40,810	1,41,17,557
Arun Adhikari ²	None	NA	43,16,664	24,66,664	8,13,999	7,84,525	83,81,852
S. Ravindranath ²	None	NA	43,16,664	24,66,664	8,13,999	8,58,269	84,55,596
Aart Weijburg ³	None	NA	25,94,592	12,97,296	NA	6,84,516	45,76,404

1. Upto June 30, 2004.
2. With effect from May 1, 2004.
3. Upto April 30, 2004.

Notes : @ The Commission for the year ended 31st December, 2004 @ Rs. 5 Lakhs per annum will be paid to Non-whole-time Directors, subject to deduction of tax after adoption of accounts by shareholders at the Annual General Meeting to be held on 24th June, 2005.

- Payment of Remuneration to Whole-time Directors excludes provisions for / contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis.
- Perquisites includes amortisation of Employee's Stock Options granted during 2001 & 2002 amounting to Rs.15,54,651/-. Refer Note 13 of Statements forming part of the Profit and Loss Account on page F24.

(g) Remuneration of Directors : Employee stock options

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

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

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

Name of Director	Outstanding as at 31.12.2003	Number of options granted under 2001 HLL Stock Option Scheme during the year 2004 *	Options exercised during 2004	Outstanding as at 31.12.2004
M.S. Banga	335740	47550	Nil	383290
M.K. Sharma	99895	17600	Nil	117495
D. Sundaram	120350	17600	Nil	137950
Arun Adhikari**	99895	22000	Nil	121895
S. Ravindranath**	110615	22000	Nil	132615

* issued at closing market rate on the day of grant.

** includes options granted to them as management employees of the Company before they were appointed as Managing Directors.

(h) Committees of the Board

Audit Committee

The audit committee of Hindustan Lever performs the following functions :

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

The Company continued to derive immense benefit from the deliberation of the Audit Committee comprising three Non-executive and Independent Directors — Mr. V. Narayanan (Chairman), Mr. A. Narayan, and Prof. C.K. Prahalad

who are eminent professionals knowledgeable in finance, accounts and company law. Minutes of each audit committee meeting are placed before, and discussed in the meeting of the Board.

At the Board meeting held on December 21, 2004, Mr. D.S. Parekh and Mr. S. Ramadorai were appointed as additional members of the Audit committee, with immediate effect.

Consequent to the resignation of Mr. V. Narayanan as a member of the Audit Committee, the Audit Committee elected Mr. D.S. Parekh as its Chairman of the Audit Committee.

The audit committee met four times during the year: February 16, 2004; April 28, 2004; July 28, 2004 and October 27, 2004. Table 4 gives the attendance record.

Table 4 : Attendance record of audit committee members

Name of Director	No. of meetings	Meetings attended
V. Narayanan	4	4
C.K. Prahalad	4	3 *
A. Narayan	4	4

* participated via video conferencing in two meetings;

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

Remuneration and Compensation Committees

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

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

The committee consisting of three Non-executive and Independent Directors – Mr. D.S. Parekh (Chairman), Prof. C.K. Prahalad and Mr. A. Narayan met twice during the year : June 18, 2004 and December 21, 2004.

At the Board meeting held on December 21, 2004, Mr. V. Narayanan and Mr. S. Ramadorai were appointed as additional members of the Remuneration Committee, with immediate effect.

Consequent to the resignation of Mr. D.S. Parekh as a member of the Remuneration Committee, the Remuneration Committee elected Mr. V. Narayanan as its Chairman.

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

Table 5 : Attendance record of Remuneration Committee members

Name of Director	No. of meetings	Meetings attended
D.S. Parekh	2	2
C.K. Prahalad	2	2
A. Narayan	2	2

Consequent to resignation of Mr. Gurdeep Singh as a member of the compensation committee, Mr. M.K. Sharma was appointed as member of compensation committee to supplement the three members of the remuneration committee, along with Mr. M.S. Banga. The compensation committee administers the stock option plan of the Company.

Shareholder / Investor Grievances Committee

The Shareholder / Investor grievances committee specifically looks into redressing of shareholders' and investors' complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. This committee comprising Mr. A. Narayan (Chairman, Independent Director), Mr. M.K. Sharma (Vice-Chairman and whole-time Director) and Mr. D. Sundaram (whole-time Director) met twice during the year: February 17, 2004 and December 21, 2004. Table 6 gives the attendance record.

Table 6 : Attendance record of investor grievances committee members

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

MANAGEMENT**a) Management Discussion and Analysis**

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

b) Disclosures by management to the Board

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

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

According to the Articles of Association of Hindustan Lever, all Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. All the Directors are eligible and are offering themselves for re-election save and except Mr. M. S. Banga who has decided not to seek re-election consequent to his appointment as President, Foods, Unilever and Mr. Arun Adhikari and Mr. S. Ravindranath, Managing Directors, who have been elected for a term of 5 years effective from May 1, 2004.

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

- * **M.S. Banga** (50) is the Non-Executive Chairman and Director of Hindustan Lever. A gold medallist from IIT-Delhi and IIM-Ahmedabad, he joined Hindustan Lever as a Management Trainee in 1977. After various assignments in the marketing and sales functions in India and a stint with Lever Brothers UK, Mr. Banga took charge of the Company's Personal Products Division in 1993, and joined the Management Committee in February 1995. He was appointed as a Director of the Company in August 1995. In December 1998, Mr. Banga moved to Unilever in London as Senior Vice-President with world-wide responsibility for the Hair and Oral Care categories. He returned to India in April 2000 as the Chairman of Hindustan Lever. He moved as President – HPC Asia on and from July 1, 2004 and from the same date assumed the role of Non-Executive Chairman of HLL.
- * **M.K. Sharma** (57) is the Vice Chairman and a whole-time Director of Hindustan Lever. After graduating in Political Science, he completed his L.L.B from the University of Lucknow. He then went on to do a Post-graduate Diploma in Personnel Management from the Department of Business Management, Delhi University, and a Diploma in Labour Law from the Indian Law Institute, Delhi. After working for six years with the DCM group, Mr. Sharma joined Hindustan Lever in 1974 as the Legal Manager. He was inducted on the Board of the Company as Director (Legal and Secretarial) in August 1995, and has been the Vice Chairman since May 2000.
- * **D.S. Parekh** (60) is a B.Com and holds a FCA degree from England and Wales. Mr. Parekh has held senior positions in Grindlays and Chase Manhattan. He is the executive Chairman of Housing Development Finance Corporation Ltd. Mr. Parekh joined the Board of Hindustan Lever in May 1997.
- * **V. Narayanan** (67) is a M.Sc. (Chem) from Madras University. He was the Chairman and Managing Director of erstwhile Pond's (India) Ltd., and is presently the Chairman of the Academy of Management Excellence, an institution engaged in management training. He joined the Board of Hindustan Lever in August 1987.

- * **C.K. Prahalad** (63) is the Harvey C. Fruehauf Professor of Business Administration at the University of Michigan at Ann Arbor, USA. He received his Doctor of Business Administration from the Harvard Business School. Prof. Prahalad specialises in corporate strategy, and has authored several books and numerous articles in reputed journals. His contribution to business strategy is globally recognised. He joined the Board of Hindustan Lever in April 2000.
- * **S. Ramadorai** (60) is the CEO of Tata Consultancy Services; Chairman of Tata Technologies Ltd. and Chairman of CMC Ltd. Holder of a Bachelor degree in Physics from Delhi University; a Bachelor of Engineering degree in Electronics and Telecommunications from Indian Institute of Science, Bangalore; and a Masters degree in Computer Science from the University of California, USA, Mr. Ramadorai took the Senior Executive Development Program at MIT's Sloan School of Management in 1993. Mr. Ramadorai joined the Board of Hindustan Lever in May 2002.
- * **A. Narayan** (53) joined ICI India as a management trainee in 1973 and grew through diverse functions and businesses before being appointed as Managing Director of ICI India in 1996. On completion of his term as Managing Director in ICI India, he was appointed as Non-Executive Chairman of ICI India. Just prior to this appointment he served as a Corporate Planning Manager at the ICI Group Head Quarters in London. A B.Tech. from IIT Kanpur, he also has formal qualifications in law, multidisciplinary sciences and strategic management. He joined the Board of Hindustan Lever in 2001.
- * **D. Sundaram** (52) joined Hindustan Lever in 1975 after qualifying as a cost accountant from ICWA. Having worked in various capacities within the Company, he was seconded to Unilever, London for the period 1990-93. On his return to India, he was the financial member of the TOMCO Integration Team and then became the Finance Director of Brooke Bond Lipton India Ltd., in March 1994. After another round of secondment to Unilever, London as Senior Vice President Finance (Central Asia and Middle East Group) during 1996-99, he returned to Hindustan Lever in May 1999 to take up his current position as Director, Finance and IT.
- * **Arun Adhikari** (50) joined Hindustan Lever as a Management Trainee in 1977, after completing his Bachelors degree in Chemical Engineering followed by MBA. During the first 10 years in the Company, he worked as Area Sales Manager, Market Research Executive, Branch Sales Manager and Senior Product Manager. In mid-1987 he was posted in Unilever UK in the Corporate Development and Economics Department. He returned in 1989 as Marketing Manager-Personal Products after which he held the position of Head-Market Research for four years. He then moved as Divisional Vice President - Marketing Detergents in June 1995. In April 2000 he was appointed as the Executive Director, Personal Products. Since May 1, 2004, Mr. Adhikari is the Managing Director of the HPC Division.
- * **S. Ravindranath** (57) has a Bachelors of Science degree in Maths and Statistics followed by a Masters in Operations Research and Fellowship of the Institute of Costs and Works Accountants of India. He joined Hindustan Lever in the non-management cadre in 1975. He was promoted to the management cadre in 1979. Thereafter he has held several positions - Management Accountant, Corporate Accountant and Commercial Manager – Personal Products. In 1992, he was appointed as General Manager – Commercial, Personal Products. He was later the Divisional Vice President Commercial for Detergents since 1995. In 1999, he was appointed as Head – Beverages Profit Centre at Bangalore and was then appointed as Executive Director Beverages in April 2000. Since May 1, 2004, Mr. Ravindranath is the Managing Director of the Foods Division.

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

b) Communication to shareholders

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

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

c) Investor grievances

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

d) Share transfer

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

e) Details of non-compliance

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

f) General body meetings

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

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

Financial year (ended)	Date	Time	Venue
31st December, 2001	26th June, 2002	15.00 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020.
31st December, 2002	13th June, 2003	15.00 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020.
31st December, 2003	29th June, 2004	15.00 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020.

g) Postal ballots

During the year 2004, pursuant to Section 192 A of the Companies Act 1956, the shareholders of the Company had overwhelmingly approved by means of Postal Ballot the following disposals, through an Ordinary Resolution.

- (i) transfer by way of sale or otherwise Company's undertaking involved in the manufacture of soap and soap intermediates at Sewri, Mumbai, Maharashtra to one of its subsidiaries;
- (ii) transfer of by way of sale the functionalised biopolymers business of the Company including manufacturing facilities at Pondicherry to a suitable third party or to a subsidiary.

Steps are underway to implement the above proposals during the year 2005.

OTHER INFORMATION

- In line with the approval of the Government, royalty payable to Unilever PLC for the year 2004 @ 1% of qualifying turnover of Rs. 5030.05 crores amounts to Rs. 50.30 crores.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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

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

Loans and Advances in the nature of loan to subsidiaries :

Name of the Company	Balance as at 31st December, 2004	Rs. Lakhs Maximum outstanding during the year
Modern Food Industries (India) Limited	6,00.00	57,60.00
Pond's Export Limited	39.98	10,00.00
International Fisheries Limited	3,14.52	3,14.52
Indigo Lever Shared Services Limited	6,00.00	6,00.00
Rosell Industries Limited	Nil	2,00.00

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

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

ANNEXURE

PARTICULARS OF DIRECTORSHIPS OF OTHER COMPANIES AND MEMBERSHIPS OF OTHER COMMITTEES

	Other Directorships		Other Committee Memberships		
Name of the Director	Name of the Company	Position	Name of the Company	Committee	Position
M. S. BANGA	Maruti Udyog Limited	Director	NIL		
M. K. SHARMA	Kimberly Clark Lever Pvt. Limited	Chairman	ICICI Bank Limited	Audit Committee	Member
	Nepal Lever Limited	Chairman		Business Strategy	Member
	ICICI Bank Limited	Director		Agriculture and Small Enterprises Business	Member
				Credit	Member
				Fraud Monitoring	Member
	Vasishti Detergents Limited	Chairman	Vasishti Detergents Limited	Investor Grievances Committee	Chairman
	Nepal Lever Limited	Director			
	Indexport Limited	Director			
	Lever India Exports Limited	Director			
	Hind Lever Trust Limited	Director			
TOC Disinfectants Limited	Director				
D. SUNDARAM	Indigo Lever Shared Services Limited	Chairman	SBI Capital Markets Ltd.	Audit Committee	Chairman
SBI Capital Markets Ltd.	Director				
Quest International India Limited	Director				
Emergent Genetics India Private Limited	Director				
ARUN ADHIKARI	Indexport Limited	Chairman	NIL		
	Lever India Exports Limited	Chairman			
	Kimberly Clark Lever Private Limited	Director			
S. RAVINDRANATH	Indexport Limited	Director	NIL		
ADITYA NARAYAN	ICI India Limited	Chairman	NIL		
	Quest International India Limited	Director (Alternate)			
	Hindustan Zinc Limited	Managing Director			
V. NARAYANAN	Pond's Exports Limited	Chairman	MM Forgings Limited	Audit Committee	Chairman
	MM Forgings Limited	Chairman			
	UCAL Fuel Systems Limited	Director			
	Glaxo SmithKline	Director			
	Pharmaceuticals Limited		Glaxo Smithkline Pharmaceuticals Limited	Remuneration Committee	Member
	Samtel Colour Limited	Director			
	FAL Industries Limited	Director			
	Rane Madras Limited	Director	FAL Industries Limited	Audit Committee	Member
	Samcor Glass Limited	Director			
	Tamil Nadu Newsprint & Papers Limited	Director			
	Lafarge India Private Limited	Director			
	Foster's India Limited	Director	Rane Madras Limited	Audit Committee	Chairman
	Sundaram Fasteners Limited	Director			
	Bata India Limited	Director			
C. K. PRAHALAD	NCR Corporation	Director	NCR Corporation	Audit & Finance Committee Governance Committee	Member Chairman
	World Resources Institute	Director			
D. S. PAREKH	Housing Development Finance Corporation Ltd.	Chairman	Glaxo SmithKline Pharmaceuticals Ltd.	Audit Committee	Chairman
	Infrastructure Development Finance Co. Ltd.	Chairman			
	Glaxo SmithKline Pharmaceuticals Ltd.	Chairman			
	Siemens Limited	Chairman	Siemens Limited	Audit Committee	Member
	HDFC Asset Management Co. Ltd.	Chairman			
	HDFC Standard Life Insurance Co. Ltd.	Chairman			
	HDFC Chubb General Insurance Company Ltd.	Chairman			
	Mahindra and Mahindra Ltd.	Director	Mahindra & Mahindra Ltd.	Audit Committee	Chairman
	Hindustan Oil Exploration Corporation Ltd.	Director			
	Castrol India Ltd.	Director			
	The Indian Hotels Co. Ltd.	Director			
			Castrol India Ltd.	Audit Committee	Chairman
		The Indian Hotels Co. Ltd.	Audit Committee	Member	

Name of the Director	Other Directorships		Other Committee Memberships		
	Name of the Company	Position	Name of the Company	Committee	Position
S. RAMADORAI	Motor Industries Co. Ltd.	Director	Motor Industries Co. Ltd.	Audit Committee	Chairman
				Investor Grievances Committee	Member
	Borax Morarji Ltd.	Alternate Director			
	Zodiac Clothing Co. Ltd.	Alternate Director			
	Bharat Bijlee Ltd.	Alternate Director			
	Exide Inds. Ltd.	Alternate Director			
	Tata Consultancy Services Limited	Managing Director	Tata Consultancy Services Limited	Shareholder/Investor Grievances Committee	Member
				Ethic & Compliance Committee	Member
	Tata Industries Limited	Director			
	Tata Elxsi (India) Limited	Vice Chairman	Tata Elxsi (India) Ltd.	Remuneration Committee	Member
				Audit Committee	Member
	Tata Internet Services Limited	Director			
	Tata Technologies Limited	Chairman	Tata Technologies Ltd.	Audit Committee	Chairman
				Remuneration Committee	Chairman
	WTI Advanced Technology Ltd.	Director			
	Aviation Software Development Consultancy India Ltd.	Director			

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

To the Shareholders of Hindustan Lever Limited

We have examined the compliance of conditions of Corporate Governance by Hindustan Lever Limited, for the year ended 31st December, 2004 as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements, except that an Independent Director held membership in eleven Board Committees for a part of the year instead of ten as required under sub-clause IV(B) of Clause 49 of the Listing Agreement as stated in the report on Corporate Governance prepared by the Company.

We state that in respect of investor grievances received during the year ended 31st December, 2004, no investor grievances are pending for a period exceeding one month against the Company as per records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee.

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

Thomas Mathew
(Partner)
Membership No. 50087
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 4th May, 2005

Additional Information for Shareholders

Annual General Meeting

Date : 24 June 2005
 Venue : Birla Matushri Sabhagar, Marine Lines, Mumbai - 400 020
 Time : 15:00 hours

Financial Calendar

Financial year : 1 January to 31 December

For the year ended 31 December 2004, results were announced on:

- 29 April 2004 : First quarter
- 29 July 2004 : Half yearly
- 28 October 2004 : Third quarter
- 11 February 2005 : Fourth quarter and annual.

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

- 29 April 2005 : First quarter (already announced)
- 29 July 2005 : Half yearly
- 31 October 2005 : Third quarter
- 13 February 2006 : Fourth quarter and annual.

Book Closure

The book closure period for final dividend is from 9 June 2005 to 23 June 2005, inclusive of both days.

Dividend

An interim dividend of Rs. 2.50 per share aggregating in all to Rs. 550.31 crores was declared on 29th July, 2004 and paid on 27th August, 2004. A final dividend of Rs. 2.50 per share aggregating in all to Rs.550.31 crores was recommended on 11th February, 2005 and subject to the approval of the shareholders at the Annual General Meeting will be paid on 27th June, 2005.

Bonus Debentures – Redemption / Interest Payment :

Members are aware that on 2nd July, 2003 the Company had allotted 9% Secured Fully Paid Non-Convertible Bonus Debentures of Rs. 6/- each in the ratio of 1 Bonus Debenture on every equity share of Re. 1/- held, on the Record Date 23rd June, 2003.

The first interest @ 9%p.a. on Bonus Debentures was paid on 1st July, 2004. The final interest for the six months along with the redemption proceeds was paid on 1st January, 2005.

As a measure of Investor protection and convenience of the debenture holders, the Company had dispatched redemption and interest warrants without insisting on surrender of debenture certificate(s). The amount due on 9% Secured Fully Paid Non-Convertible Bonus Debentures of Rs. 6/- each was dispatched to all debentureholders on 31.12.2004. Those who have still not received the payment may kindly contact Company's Investor Service Department at Tel. : (022) 2282 7285 or Fax : (022) 2202 6712 for necessary action.

Tax implication on Redemption of Bonus Debentures.

9% Secured Redeemable Non-Convertible Bonus Debentures of Rs. 6/- each of the Company were allotted on 2nd July, 2003 to all the shareholders of Hindustan Lever Limited in the ratio 1 Bonus Debenture on every Equity Share of Re.1/- each, held on the record date of 23rd June, 2003.

The said bonus debentures were 'Deemed Dividend' as per the provisions of Section 2(22) (b) of the Income Tax Act, 1961. For the purpose of taxation, the cost of debentures having been treated as Deemed Dividend at the hands of the members would be 'face value' of the debentures and not 'NIL'.

Although dividend was not liable to tax in the financial year 2003-2004, the Companies were required to pay dividend distribution tax. Accordingly the Company had paid the tax amount. This amount of deemed dividend was reinvested by the shareholder in debentures allotted by the Company. The said debentures have been redeemed on 1st January, 2005.

Redemption proceeds of Rs. 6/- per bonus debentures is receipt against allotment made on 2nd July, 2003. It is not to be treated as income since it was already considered as Deemed Dividend in the Financial Year 2003-04.

In view of the above, neither the Company is required to deduct any tax at source on redemption amount, nor there is any tax liability on the face value of the debenture amount received by the debenture holders on 1st January, 2005.

ECS (Electronic Clearing Service) / Mandates / Bank Details

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

Listing

The Company's shares are listed and traded on the stock exchanges at Ahmedabad, Bangalore, Chennai, Cochin, Delhi, Kolkata, Guwahati and Mumbai, as well as the National Stock Exchange.

Stock Codes

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	500696
National Stock Exchange	HINDLEVER
Madras Stock Exchange	HLV
Cochin Stock Exchange	HLV
Guwahati Stock Exchange	794
Bangalore Stock Exchange	HINDLEVER
Ahmedabad Stock Exchange	HINDLEVER
Delhi Stock Exchange	100018
Calcutta Stock Exchange	100052

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

Stock Data

Tables 1 and 2 respectively give the monthly high and low prices and volumes of Hindustan Lever at The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) for the year ended December 31, 2004.

Table 1 : Monthly share price data and volumes, BSE

Month, 2004	High	Low	Volume
January	218.00	186.10	24,597,041
February	205.75	171.55	18,939,038
March	174.90	140.00	44,573,506
April	160.00	139.15	18,376,502
May	146.90	115.00	19,832,217
June	139.80	125.50	11,467,053
July	130.50	115.50	24,093,072
August	121.00	104.00	18,686,385
September	127.65	110.25	17,025,992
October	129.75	120.00	10,067,558
November	145.00	122.75	10,740,242
December	155.00	141.10	17,245,558

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

Table 2 : Monthly share price data and volumes, NSE

Month, 2004	High	Low	Volume
January	245.30	185.20	62,398,378
February	205.00	170.35	49,823,918
March	174.90	141.00	87,864,422
April	160.30	139.15	48,727,607
May	146.70	115.25	51,979,115
June	150.05	125.50	35,378,424
July	131.45	100.50	51,493,598
August	129.50	105.30	54,635,723
September	127.90	109.90	54,587,784
October	129.50	119.00	32,707,698
November	145.10	122.60	36,557,836
December	154.90	141.20	45,422,997

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

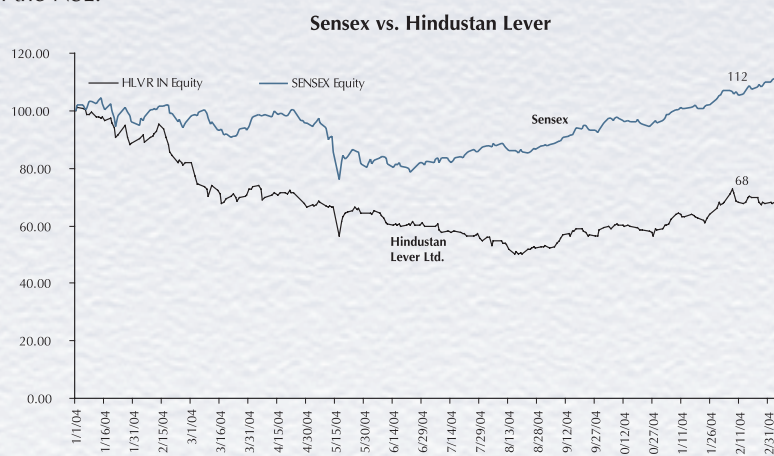


Chart A : Plots Hindustan Lever's share prices with the BSE Sensex for 2004

Capital appreciation of Hindustan Lever shares

How have long term shareholders of HLL fared vis-à-vis the Sensex? Table 3 gives the closing share price on the first day of trading for every calendar year since 1995 (adjusted to the face value of Re.1 per share). If someone bought a Hindustan Lever share on 2 January 1995 and held on to it until 3 January 2005, then that person would have enjoyed a capital appreciation of almost 148 per cent. Compared to that, the BSE-Sensex would deliver 69 per cent.

Table 3 : Value appreciation for Hindustan Lever shareholders

Date of Purchase	HLL share price	HLL appreciation	BSE Sensex	Sensex appreciation
2-Jan-95	59.00	147.5%	3932	69.1%
1-Jan-96	62.20	134.8%	3128	112.6%
1-Jan-97	81.70	78.8%	3261	104.0%
1-Jan-98	139.43	4.8%	3695	80.0%
1-Jan-99	165.25	-11.6%	3060	117.4%
3-Jan-00	239.12	-38.9%	5375	23.7%
1-Jan-01	200.00	-27.0%	3955	68.1%
1-Jan-02	220.50	-33.8%	3246	104.9%
1-Jan-03	181.65	-19.6%	3390	96.2%
1-Jan-04	212.60	-31.3%	5915	12.4%
3-Jan-05	146.05		6651	

Note : All comparisons are with respect to 3 January 2005 (the reference date).

Distribution of shareholding

Tables 4 and 5 give the distribution pattern of shareholding of Hindustan Lever as on 31 December 2004.

Table 4 : Distribution of Shareholding by size class, 31 December 2004

Holdings	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 5000	340997	94.99	231796993	10.53
5001 – 10000	10994	3.06	76819616	3.49
10001 – 20000	4712	1.31	64543090	2.93
20001- 30000	1142	0.32	27591849	1.25
30001 – 40000	429	0.12	14738591	0.67
40001 – 50000	200	0.06	8923152	0.41
50001 – 100000	246	0.07	16791160	0.76
100001 and above	280	0.08	1758736781	79.90
In-transit			1302561	0.06
Total	359000	100	2201243793	100.00

Table 5 : Distribution of shareholding by ownership, 31 December 2004**Distribution of shareholding by ownership, 31 December 2004**

Category	Shares held (Nos.)	% of holdings
Unilever and its associates	1134849460	51.55
Sub total :	1134849460	51.55
Foreign Banks	50570	0.00
Foreign Financial Institutions	301097883	13.68
Foreign Nationals	30870	0.00
Non-Resident Indians	6682235	0.30
Overseas Corporate Bodies	7950	0.00
Sub total :	307869508	13.99
Bodies Corporate	18271470	0.83
General Insurance Corporation of India	134003081	6.09
Government Companies	6808406	0.31
Industrial Development Bank of India	980	0.00
Life Insurance Corporation of India	148788789	6.76
Mutual Funds	13004776	0.59
Nationalised Banks	3224994	0.15
Trusts	1096693	0.05
Unit Trust of India	240450	0.01
Sub total :	325439639	14.78
Resident Individuals	431569302	19.61
Sub total :	431569302	19.61
Directors and their Relatives	213323	0.01
Sub total :	213323	0.01
In-transit	1302561	0.06
Sub total :	1302561	0.06
Total:	2201243793	100.00

Shares held in physical and dematerialised form

As on 31 December 2004, 42.15 per cent of Hindustan Lever's shares were held in dematerialised form and the rest in physical form. It needs to be said that Unilever and its affiliates own 51.55 per cent of the Company's shares, which are held in physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares account for 87.00 per cent of the remainder.

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

Not applicable for Hindustan Lever.

Details of public funding obtained in the last three years

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

Mergers and acquisitions

Since the mid-1990s, Hindustan Lever's growth has been both organic and through mergers and acquisitions. The details of mergers from 1992 were published in the Annual Report and Accounts for the year 2002 as part of "Additional Shareholder Information" and are available on the Company's website www.hll.com. The Investor Service Department of the Company would also be happy to provide this information to the shareholders on request.

Investor Services

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

a) Address for Correspondence

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

Karvy Computershare Private Limited
Unit : HINDUSTAN LEVER LIMITED
Karvy House : 46, Avenue 4, Street No. 1.
Banjara Hills, Hyderabad – 500 034.

For your benefit, we are also furnishing below the contact details of Karvy

Tel : +91-40-23312454
: +91-40-23320251 / 751 / 752
Fax : +91-40-23311968
E-mail : mailmanager@karvy.com
Website : www.karvy.com

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

The existing counter facility at the Register Office of the Company will continue to be available to the shareholders.

To allow us to service shareholders/debentureholder with greater speed and efficiency, the Company strongly recommends email based correspondence on all issues which do not require signature verifications for being processed. Emails can be sent through the Company's web-site www.hll.com

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

Tel : 022-22827285/22827452/22827557; Fax : 022-22026712.

b) Web-site (www.hll.com)

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

c) Nomination in respect of shares held in physical form

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares and several shareholders have opted to avail of such facility. However, a large number of shareholders are yet to make nominations in respect of their holdings in physical form. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the time consuming and cumbersome process of obtaining Succession Certificate/Probate of the Will. It would, therefore, be in the best interest of the shareholders holding shares in physical form as sole registered holders to make such nominations without any delay. Nominations will have to be made in the prescribed form which could be obtained from Karvy Computershare Private Limited at the address mentioned above. The Nomination Form is also available on the Company's web-site. It may be noted that for shares held in electronic form, the concerned shareholders have to register their nominations directly with their respective depository participants.

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

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

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

e) Unclaimed dividends

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years statutorily get transferred to the Investor Education and Protection Fund administered by the Central Government. Table 6 gives the dates of dividend declaration or payment since 1997 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 7 gives the unclaimed dividend amount since 1997.

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

Year	Dividend	Type	Date of payment / declaration	Date of transfer
1997	42F	FINAL	15-May-98	25-June-05
1998	43I	INTERIM	04-Nov-98	15-Dec-05
1998	43F	FINAL	21-May-99	01-July-06
1999	44I	INTERIM	18-Oct-99	28-Nov-06
1999	44F	FINAL	25-Apr-00	05-June-07
2000	45I	INTERIM	19-Oct-00	29-Nov-07
2000	45F	FINAL	22-June-01	02-Aug-08
2001	46I	INTERIM	24-July-01	22-Aug-08
2001	46F	FINAL	28-June-02	27-July-09
2002	47I	INTERIM	21-Aug-02	19-Sep-09
2002	47F	FINAL	16-June-03	15-July-10
2002	47S	SPECIAL	08-July-03	06-Aug-10
2003	48I	INTERIM	28-Aug-03	26-Sep-10
2003	48F	FINAL	2-Jul-04	4-Aug-11
2004	49I	INTERIM	27-Aug-04	3-Sep-11

Table 7 : Unclaimed dividend amount as on 31 December 2004

Year	Dividend	Type	No. of warrants issued	No. of warrants unclaimed	% unclaimed	Amount of dividend (Rs. lakhs)	Dividend unclaimed (Rs. lakhs)	% unclaimed
1997	42F	FINAL	339301	14877	4.4	18,921.00	110.80	0.6
1998	43I	INTERIM	330371	16344	4.9	19,119.00	125.12	0.7
1998	43F	FINAL	354211	16704	4.7	27,227.00	167.47	0.6
1999	44I	INTERIM	346323	16231	4.7	26,348.00	153.06	0.6
1999	44F	FINAL	353016	15071	4.3	37,410.00	191.34	0.5
2000	45I	INTERIM	374828	20639	5.5	33,009.00	198.97	0.6
2000	45F	FINAL	373306	17718	4.7	44,012.00	230.26	0.5
2001	46I	INTERIM	369667	17337	4.7	55,015.00	258.36	0.5
2001	46F	FINAL	352240	20595	5.8	55,031.09	271.06	0.5
2002	47I	INTERIM	370239	20154	5.4	55,031.09	248.27	0.5
2002	47F	FINAL	375782	20307	5.4	58,531.07	303.86	0.5
2002	47S	SPECIAL	376369	26299	7.0	38,851.95	277.24	0.7
2003	48I	INTERIM	370088	19884	5.4	55,031.09	267.27	0.5
2003	48F	FINAL	358576	19497	5.4	31,991.83	302.04	0.9
2004	49I	INTERIM	375081	24861	6.6	55,031.09	363.64	0.7

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

f) Number and nature of complaints regarding shares

Complaints have reduced substantially. Chart B shows the decline over the last five years. Table 8 gives the data on complaints regarding shares/debentures during the year ended 31 December 2004.

Chart B : Complaints are going down

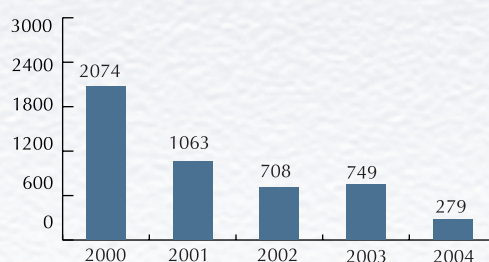


Table 8 : Details of complaints regarding shares/debentures for the year 2004

Nature of complaint	Number of complaints	Number redressed
Non-receipt of dividend	139	138
Non-receipt of shares lodged for Transfer	130	128
Others	10	10
Total	279	276

All the unresolved complaints were received in December 2004 and have been progressed further for resolution.



financials

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Significant Accounting Policies

Basis for preparation of accounts

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

Revenue Recognition

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

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

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

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

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

Expenditure

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

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

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

Fixed Assets

Fixed assets are stated at cost less depreciation except in the case of certain Land and Development in the Tea Estates Division shown at revalued amount. In Tea / Coffee estates, the cost of extension planting of cultivable land including cost of development is capitalised.

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

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

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

Goodwill and other Intangible Assets

Goodwill and other Intangible assets are amortised over the assets useful life not exceeding 10 years.

Investments

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

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

Inventories

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

Sundry Debtors and Loans and Advances

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

Retirement / Post Retirement Benefits

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

Taxes on Income

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

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

Foreign Currency Translations

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

Segment Reporting

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

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

Profit and Loss Account for the year ended 31st December, 2004

Figures in brackets represent deductions

	Notes	2004 Rs. lakhs	2003 Rs. lakhs
INCOME			
Sales	1	9926,94.64	10138,35.32
Other income	2	318,83.38	459,82.83
Total		10245,78.02	10598,18.15
EXPENDITURE			
Operating expenses	3-5	(8489,57.90)	(8161,68.31)
Depreciation		(120,89.94)	(124,78.43)
Interest	6	(129,98.43)	(66,76.45)
Total		(8740,46.27)	(8353,23.19)
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		1505,31.75	2244,94.96
Taxation for the year – current tax	9	(266,00.00)	(427,36.00)
– deferred tax		(54,73.62)	(60,94.00)
Taxation adjustments of previous years (net)	19	14,69.52	47,69.00
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		1199,27.65	1804,33.96
Exceptional items (net of tax)	13	(1,93.28)	(32,54.56)
NET PROFIT		1197,34.37	1771,79.40
Balance brought forward		818,60.74	1198,15.96
Available for distribution		2015,95.11	2969,95.36
Dividends :			
Dividends for 2002			
Final Rs. 2.659 per share declared on 13th June, 2003		—	585,31.07
Tax on distributed profits		—	75,06.24
		—	660,37.31
Less : Final Dividend as proposed in previous year		—	660,37.31
On equity shares :			
Interim - Rs. 2.50 per share - declared on 29th July, 2004		(550,31.09)	(550,31.09)
Special dividend - Rs. 1.765 per share		—	(388,51.95)
Final - Rs. 2.50 per share - proposed		(550,31.09)	(660,37.31)
Tax on distributed profits [2004 - includes Rs. 1,69.22 lakhs educational cess on final dividend for 2003]		(145,53.02)	(374,14.27)
Transfer to General Reserve		(125,00.00)	(178,00.00)
Balance carried forward		644,79.91	818,60.74
Earnings Per Share (Rs.) - Basic & Diluted (Face value of Re.1 each)	17	5.44	8.05

For notes, statements, additional information, segment information, related party disclosures and accounting policies
See pages: F1, F5 to F7, F20 to F24 and F26 to F34

In terms of our report of even date

Thomas Mathew

Partner

Membership No. 50087

For and on behalf of
LOVELOCK & LEWES

Chartered Accountants

Mumbai : 11th February, 2005

Signatures to pages : F1, F2, F5 to F7,
F20 to F24 and F26 to F34

M.K. Sharma
D. Sundaram

Raju Thomas
Ashok Gupta

Vice Chairman
Finance Director
Vice President - Finance
Company Secretary

Mumbai : 11th February, 2005

Balance Sheet as at 31st December, 2004

Figures in brackets represent deductions

	Schedule	2004 Rs. lakhs	2003 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	220,12.44	220,12.44
Reserves and surplus	2	1872,58.51	1918,60.16
		2092,70.95	2138,72.60
Loan funds			
Secured loans	3	1453,05.78	1603,69.65
Unsecured loans	4	18,05.67	100,60.79
		1471,11.45	1704,30.44
		3563,82.40	3843,03.04
APPLICATION OF FUNDS			
Fixed assets			
Gross block		2314,21.91	2141,71.54
Depreciation		(891,08.07)	(846,08.96)
Net block	5	1423,13.84	1295,62.58
Capital work-in-progress		94,42.22	73,84.26
		1517,56.06	1369,46.84
Investments	6	2229,56.27	2574,93.08
Deferred Tax			
Deferred Tax Assets	14	365,84.66	377,09.13
Deferred Tax Liabilities	15	(139,84.61)	(109,65.19)
		226,00.05	267,43.94
Current assets, loans and advances			
Inventories	7	1470,44.26	1392,63.34
Sundry debtors	8	489,26.97	470,85.01
Cash and bank balances	9	698,04.80	806,48.11
Other current assets	10	52,77.71	62,49.81
Loans and advances	11	594,41.79	769,32.62
		3304,95.53	3501,78.89
Current liabilities and provisions			
Liabilities	12	(2590,79.14)	(2559,48.32)
Provisions	13	(1123,46.37)	(1311,11.39)
		(3714,25.51)	(3870,59.71)
Net current assets		(409,29.98)	(368,80.82)
		3563,82.40	3843,03.04

For schedules, contingent liabilities, additional information,
segment information, related party disclosures
and accounting policies
See pages : F1, F8 to F19 and F26 to F34

In terms of our report of even date

Thomas Mathew
Partner
Membership No. 50087

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Signatures to pages : F1, F3, F8 to F19
and F26 to F34

M.K. Sharma
D. Sundaram

Raju Thomas
Ashok Gupta

Vice Chairman
Finance Director
Vice President - Finance
Company Secretary

Mumbai : 11th February, 2005

Cash Flow Statement for the year ended 31st December, 2004

		2004 Rs. lakhs	2003 Rs. lakhs
A. Cash Flow from Operating Activities :			
Profit before taxation and exceptional items		1505,31.75	2244,94.96
Adjustments for :			
Depreciation	120,89.94		124,78.43
Foreign Exchange	(1.79)		5.00
Loss / (Gain) on sale of fixed assets held for disposal	21.64		(18.70)
Surplus on disposal of investments (net)	(24,50.29)		(46,38.19)
Provision / (reversal of provision) for diminution in value of investments, net of cost over fair value of current investments (net)	(1,29.15)		(21,28.46)
Deficit / (Surplus) on disposal of fixed assets (net)	26,75.49		(10,76.15)
Interest income	(93,53.73)		(138,72.27)
Dividend income	(62,38.49)		(89,30.52)
Interest expenditure	129,98.43		66,76.45
		96,12.05	(115,04.41)
Operating Profit before Working Capital Changes		1601,43.80	2129,90.55
Adjustments for :			
Trade and Other Receivables	120,58.50		(44,68.29)
Inventories	(101,25.92)		(146,20.17)
Trade Payables and Other Liabilities	(108,60.34)		33,45.79
		(89,27.76)	(157,42.67)
Cash generated from operations		1512,16.04	1972,47.88
Income Taxes paid (net of refunds)		(164,40.98)	(410,44.65)
Cash flow before exceptional items		1347,75.06	1562,03.23
Purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees		—	(57,18.20)
Compensation under Voluntary Separation Schemes		(43,86.29)	(24,42.00)
Payment made in respect of ice cream restructuring included in exceptional items		(2,28.75)	(3,94.83)
Net Cash from Operating Activities	A	1301,60.02	1476,48.20
B. Cash Flow from Investing Activities :			
Purchase of fixed assets	(323,77.55)		(233,60.39)
Sale Proceeds of Land included in exceptional items	94,85.19		—
Sale of fixed assets	35,49.11		40,39.52
Capital Subsidy Received	4.50		9.00
Purchase of investments	(8203,18.31)		(11219,71.00)
Sale of investments	8546,64.78		11058,15.67
Consideration received on sale of Businesses (Note 2)	—		85,31.52
Interest received	104,22.46		129,65.53
Dividend received	60,73.89		87,00.59
Net Cash used in Investing Activities	B	315,04.07	(52,69.56)
C. Cash Flow from Financing Activities :			
Dividends paid (including bonus debentures in 2003)	(1208,67.58)		(2840,57.99)
Tax on distributed profits	(159,92.02)		(364,59.48)
Interest paid	(123,27.02)		(81.34)
Bank overdrafts, etc. (net)	9,23.01		32,21.47
Proceeds from borrowings	585,63.00		557,76.58
Proceeds from debentures	—		1320,74.63
Repayments of borrowings	(828,05.00)		(264,72.00)
Net Cash used in Financing Activities	C	(1725,05.61)	(1559,98.13)
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		(108,41.52)	(136,19.49)
Cash and Cash equivalents as at 1st January (Opening Balance)		806,46.38	942,65.87
Cash and Cash equivalents as at 31st December (Closing Balance)		698,04.86	806,46.38

For notes
See page: F25
In terms of our report of even date

Thomas Mathew
Partner
Membership No. 50087

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Signatures to pages : F4 and F25

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

Vice Chairman
Finance Director
Vice President - Finance
Company Secretary

Mumbai : 11th February, 2005

Notes to Profit and Loss Account

	2004 Rs. lakhs	2003 Rs. lakhs
INCOME		
1. Sales	10888,37.69	11096,01.80
Less : Excise duty	(961,43.05)	(957,66.48)
	9926,94.64	10138,35.32
Sales include duty drawback and licence premium on exports	17,25.80	13,91.34
2. Other income		
Income from services rendered	106,76.82	88,83.22
Income from property development activity	1,57.96	18,28.71
Interest income - bank and other accounts (gross)	42,44.67	81,75.87
(Tax deducted at source Rs. 6,23.99 lakhs; 2003 - Rs.14,93.31 lakhs)		
Interest income - non trade (gross) (Note 7)	50,21.80	55,66.31
(Tax deducted at source Rs. 2,15.25 lakhs; 2003 - Rs. 2,51.91 lakhs)		
Interest income - investment in subsidiary - long-term (gross)	87.26	1,30.09
(Tax deducted at source Rs. 17.94 lakhs; 2003 - Rs. 26.96 lakhs)		
Dividend income - trade - long-term (gross)	11,20.30	10,11.67
(Tax deducted at source Rs. Nil lakhs; 2003 - Rs. Nil lakhs)		
Dividend income - non trade - long-term (gross)	11.10	11.10
(Tax deducted at source Rs. Nil lakhs; 2003 - Rs. Nil lakhs)		
Dividend income - non trade - current (gross)	16,91.74	38,93.82
(Tax deducted at source Rs. Nil lakhs; 2003 - Rs. 4.24 lakhs)		
Dividend income - Subsidiaries - long-term (gross)	34,15.35	40,13.93
(Tax deducted at source Rs. 23.02 lakhs; 2003 - Rs. 1,66.70 lakhs)		
Surplus on disposal of investments (net) (Note 8)	24,50.29	46,38.19
Surplus on fixed assets sold etc. (net)	—	10,76.15
Miscellaneous income	30,06.09	67,53.77
	318,83.38	459,82.83
OPERATING EXPENSES		
3. Materials consumed and Purchase of goods		
Raw materials consumed	3126,57.94	3222,86.14
Packing materials consumed	758,23.96	736,76.38
Purchase of goods	1472,39.26	1429,75.70
4. General expenditure		
Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	505,97.47	493,75.49
Contribution to provident and other funds	30,59.70	45,44.21
Workmen and staff welfare expenses	38,27.17	39,43.75
Processing charges	145,90.30	139,52.99
Consumption of stores and spare parts	56,55.89	48,61.94
Repairs and maintenance – Buildings	15,53.33	13,11.77
– Plant	47,69.53	48,42.35
– Others	7,10.87	9,12.66
Power, light, fuel and water	164,77.04	167,84.33
Rent (Note 16)	39,96.98	70,58.47
Rates and taxes	131,92.55	102,44.27
Insurance	8,41.81	7,60.79
Advertising and sales promotion	835,98.03	759,08.62
Carriage and freight	494,80.22	457,43.35
Agents' commission and brokerage	6,87.13	8,40.64
Provision / (write back) for doubtful debts and advances (net)	(11,16.08)	25,50.62
Travelling and motor car expenses	116,25.60	109,90.77
Deficit on fixed assets sold, scrapped, etc. (net)	26,75.49	—
Miscellaneous expenses (Note 12)	428,26.93	349,18.75
Expenses shared by certain current and erstwhile subsidiary companies for use of common facilities	(12,99.87)	(19,01.70)
5. Stocks		
Opening stocks : – Work-in-progress	58,04.28	45,93.68
– Processed chemicals	1,71.50	5,84.76
– Finished goods	654,04.60	560,03.09
Adjustment to stocks : – As at 29th August, 2003, of Edible Oils and Fats business [Note 14 (i)]	—	(18,21.16)
Closing stocks : – Work-in-progress	(45,62.72)	(58,04.28)
– Processed chemicals	(1,09.07)	(1,71.50)
– Finished goods	(590,39.76)	(654,04.60)
Excise Duty on Increase / (Decrease) of Finished goods	(21,82.18)	16,06.03
	8489,57.90	8161,68.31

Notes to Profit and Loss Account

6. Interest paid on bank and other accounts Rs. 11,12.19 lakhs (2003 - Rs. 6,84.24 lakhs) and on debentures Rs. 118,86.24 lakhs (2003 - Rs. 59,92.21 lakhs).
7. Interest income - non trade (gross) comprises of Rs. 24,21.17 lakhs (2003 - Rs. 24,87.84 lakhs) and Rs. 26,00.63 lakhs (2003 - Rs. 30,78.47 lakhs) in respect of long term and current investments respectively.
8. Surplus on disposal of investments (net) comprises of :
- a surplus on disposal of current investments (net) Rs. 21,77.97 lakhs (2003 - Rs. 50,34.93 lakhs)
 - a surplus on disposal of long term investments (net) Rs. 2,72.32 lakhs (2003 - Rs. Nil lakhs)
 - a loss on disposal of long term investments (net) Rs. Nil lakhs (2003 - Rs. 3,96.74 lakhs)
9. The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2004 and the provision based on the figures for the remaining nine months up to 31st December, 2004, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2004 to 31st March, 2005.
10. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled / appropriate rates applicable at the year end) debited to the Profit and Loss Account is Rs. 9,37.92 lakhs (2003 - Credit of Rs. 4,78.75 lakhs).

	2004 Rs. lakhs	2003 Rs. lakhs
11. Operating expenses include		

A) Auditors' remuneration and expenses		
i) Audit fees	1,76.32	1,62.00
ii) Tax audit fees	88.16	81.00
iii) Fees for management services	—	10.97
iv) Fees for other services	20.41	1,06.79
v) Reimbursement of out-of-pocket expenses	15.63	80.26
B) Payments to Cost auditors		
i) Cost audit fees	7.82	5.08
ii) Reimbursement of out-of-pocket expenses	0.52	0.37
C) Research and Development expenses	36,33.57	31,19.87

12. Miscellaneous expenses

- i) is net of credit on reversal / write back of provision for estimated losses on disposal of fixed assets rendered surplus Rs. 37,09.74 lakhs (net) [2003 - Rs. Nil lakhs (net)].
- ii) is net of credit for reversal / write back of provision on diminution in value of long-term investments Rs. Nil lakhs [2003 - net of Rs. 21,82.42 lakhs (net)].
- iii) is net of credit on reversal in respect of excess of cost over fair value of current investments (net) Rs. 1,29.15 lakhs [2003 - charge of Rs. 53.96 lakhs (net)].

	2004 Rs. lakhs	2003 Rs. lakhs
13. Exceptional Items		

i) Reduction in Company's liability for retirement and other employee benefits, arising out of decrease in annuity rates announced by Life Insurance Corporation of India, effective December 2004	69,10.00	—
ii) Reduction in Company's liability consequent to purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees	—	48,20.00
iii) Profit arising out of disposal of land	94,85.19	—
iv) Profit arising out of disposal of a long-term investment	40,54.08	—
v) Profit arising out of disposal of Edible Oil and Fats business (Refer Note 14 (i) below)	—	56,20.30
Total exceptional income	204,49.27	104,40.30
vi) Provision for loss arising out of disposal of Mushroom undertaking (Refer Note 14 (ii) below)	(301.17)	(19,03.00)
vii) Provision for diminution in value of investments in a subsidiary	(87,27.00)	—
viii) Exit costs incurred in relation to discontinued Confectionery business	(30,45.00)	—
ix) Restructuring costs across businesses comprising :		
a) Provision for estimated loss on fixed assets rendered surplus	(13,02.40)	(45,49.68)
b) Loss on fixed assets held for disposal	—	(8,56.50)
c) Compensation under Voluntary Separation Schemes	(75,84.68)	(36,78.98)
d) Other Costs	(15,20.00)	(8,99.00)
x) Provision for additional liability for retirement / post retirement and other employee benefits, mainly arising out of increase in annuity rates announced by Life Insurance Corporation of India effective November 2003.	—	(62,50.00)
Total exceptional expenditure	(224,80.25)	(181,37.16)
Net	(20,30.98)	(76,96.86)
Taxation on the above - Credit / (Charge) on current tax	5,07.97	(14,03.50)
- Credit on deferred tax	13,29.73	58,45.80
Total Tax credit (net)	18,37.70	44,42.30
Exceptional Items (net of tax)	(1,93.28)	(32,54.56)

Notes to Profit and Loss Account

14. i) Edible Oil and Fats business (ODF) was sold to Bunge Agribusiness India Pvt. Ltd. effective 29th August, 2003.
 ii) As per the Memorandum of Understanding, the Company has transferred the equity shares and debentures held by the Company in KICM (Madras) Limited, a wholly owned subsidiary to a third party during the year.
 iii) In view of the above, the previous year figures are to that extent not comparable.

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

	2004 Rs. lakhs	2003 Rs. lakhs
Property Development Activity — Work-in-progress as at 1st January	65.09	13,65.22
Add : Construction cost	—	1,21.53
Power, light, fuel and water	—	19.74
Rates and taxes - others	—	3.21
Miscellaneous expenses	5.07	15.92
	5.07	1,60.40
	70.16	15,25.62
Less : Property Capitalised	—	5,42.55
Property Development Activity — Work-in-progress as at 31st December	46.09	65.09
Cost of property sold, included in miscellaneous expenses	24.07	9,17.98

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

17. Earnings Per Share has been computed as under :

	2004	2003
Net Profit (Rs. lakhs)	1197,34.37	1771,79.40
Weighted average number of Equity shares outstanding	2,20,12,43,793	2,20,12,43,793
Earnings Per Share (Rs.) — Basic and Diluted (Face value of Re.1 per share)	5.44	8.05

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

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

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

	2004 Rs. lakhs	2003 Rs. lakhs
Fixed assets write off	—	1,07.89
Raw / Packing materials	0.61	38.52
Other items	2,28.14	3,94.83
	2,28.75	5,41.24

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

22. During the year, loss on disposal of investments in KICM (Madras) Limited, a wholly owned subsidiary has been adjusted against the provision for diminution of investment of Rs. 19,03.00 lakhs made in an earlier year.

23. During the year, the Company has revised downwards, the estimated useful life of motor vehicles to six years. Hitherto, such assets were being depreciated at the rates mentioned in Schedule XIV of the Companies Act, 1956. Consequently, there is an additional depreciation charge with a corresponding reduction in the profit for the year, the amount of which is not material.

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

Schedules to Balance Sheet

		2004 Rs. lakhs	2003 Rs. lakhs
1. CAPITAL			
Authorised			
2,25,00,00,000	equity shares of Re. 1 each	225,00.00	225,00.00
Issued and subscribed			
2,20,12,43,793	equity shares of Re. 1 each fully called and paid up	220,12.44	220,12.44
Of the above shares			
(i) 1,13,48,49,460	Shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 shares of Re. 1 each held by Unilever PLC.		
(ii) 79,19,31,203	Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash		
(iii) 1,31,68,54,620	Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.		
		220,12.44	220,12.44

The Company has granted share options under the Company's Employees' Stock Option Scheme and share options outstanding as at 31st December, 2004 are 1,06,48,225 (2003 - 95,07,473). Of these 21,99,200 (2003 - 22,79,800) options have vested in 2004, 29,15,285 (2003 - 30,40,188) will vest in 2005, 39,59,390 in 2006 (2003 - 41,87,485) and 15,74,350 in 2007 (2003 - Nil). Also see Schedule 17

2. RESERVES AND SURPLUS

	Asat 31st December, 2003	Additions	Deductions	Asat 31st December, 2004
CAPITAL RESERVES				
Capital Reserve	3,45.93	70.88	—	4,16.81
Capital Subsidy	3,24.93	4.50	—	3,29.43
Capital Redemption Reserve	1,15.00	—	—	1,15.00
Share Premium Account	263,26.13	—	—	263,26.13
Revaluation Reserve	66.59	—	—	66.59
Other Reserves (c)	2,51.05	—	—	2,51.05
Employee Stock Options (d)	2,05.87	2,03.80	—	4,09.67
Total Capital Reserves	276,35.50	2,79.18	—	279,14.68
REVENUE RESERVES				
Export Profit Reserve	12,21.95	—	—	12,21.95
Development Allowance Reserve	26.72	—	—	26.72
General Reserve	811,15.25	(a) 125,00.00	—	936,15.25
Total Revenue Reserves	823,63.92	125,00.00	—	948,63.92
PROFIT AND LOSS ACCOUNT BALANCE	818,60.74	(a) 644,79.91	(b) (818,60.74)	644,79.91
TOTAL RESERVES – 31st December, 2004	1918,60.16	772,59.09	(818,60.74)	1872,58.51
TOTAL RESERVES – 31st December, 2003	3438,75.14	996,69.74	(2516,84.72)	1918,60.16

(a) Transfer from profit and loss account.

(b) Transfer to profit and loss account.

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

(d) In respect of options granted under the Company's stock option scheme, in accordance with guidelines issued by Securities and Exchange Board of India, the accounting value of options (based on market price of the share on the date of the grant of the option) is accounted as deferred employee compensation, which is amortised on a straight line basis over the vesting period. Consequently salaries, wages, bonus, etc. includes Rs. 2,03.80 lakhs (2003 - Rs. 2,05.87 lakhs) being amortisation of deferred employee compensation after adjusting for reversals on account of options lapsed.

Employee Stock Options

	Asat 31st December, 2003	Additions	Deductions	Asat 31st December, 2004
Employee Stock Options Outstanding	4,66.04	—	(18.00)	4,48.04
Less: Deferred Employee Compensation	(2,60.17)	—	2,21.80	(38.37)
Employee Stock Options	2,05.87	—	2,03.80	4,09.67

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs
3. SECURED LOANS		
9% Secured Redeemable Non Convertible Debentures of the face value of Rs. 6 each	1320,74.63	1320,74.63
– Secured by charge on identified immovable and movable properties of the Company		
– Redeemable in full at the end of 18 months from 2nd July, 2003, being the date of allotment.		
Debentures held by :		
Directors - Rs. 6.21 lakhs (2003 - Rs. 3.83 lakhs)		
The Secretary - Rs. 0.08 lakh (2003 - Rs. 0.29 lakh)		
Note : The Company has set apart funds for redemption and invested them as per the terms of the Scheme of Arrangement. Refer Note 20 to the Balance Sheet		
Loans and Advances from Banks :		
– Bank overdrafts	41,81.53	18,04.99
– Secured by hypothecation of stocks, book debts, etc.		
– Export Packing Credit	90,49.62	258,74.75
– Secured by a pari passu charge on certain current assets		
Other loans and advances	—	6,15.28
– Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets		
	1453,05.78	1603,69.65
4. UNSECURED LOANS		
Short-term loans and advances :		
From Banks		
– Export Packing Credit	—	74,17.41
– Overdrawn book balance on current account	13,67.45	21,86.43
Other loans and advances		
Other than from banks	4,38.22	4,56.95
(repayable before 31st December, 2005 - Rs. 4.46 lakhs; 2004 - Rs. Nil lakhs)		
	18,05.67	100,60.79

5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost/ Valuation as at 31st December, 2003	Additions	Deductions/ Transfers	Cost/ Valuation as at 31st December, 2004	As at 31st December, 2003	Additions	Deductions/ Transfers	As at 31st December, 2004	As at 31st December, 2004	As at 31st December, 2003
Goodwill	6,34.15	—	—	6,34.15	1,33.99	158.54	—	2,92.53	3,41.62	5,00.16
Land – Freehold	52,23.63	8,93.14	(1,43.61)	59,73.16	—	—	—	—	59,73.16	52,23.63
– Leasehold	28,02.61	14,08.90	(33.34)	41,78.17	2,13.62	32.11	(33.11)	2,12.62	39,65.55	25,88.99
Buildings (a)	511,06.92	70,63.24	(12,04.00)	569,66.16	88,36.73	13,01.26	(4,75.49)	96,62.50	473,03.66	422,70.19
Railway sidings	0.59	—	—	0.59	0.59	—	—	0.59	—	—
Plant & machinery	1126,66.53	191,67.47	(92,02.34)	1226,31.66	440,98.45	82,98.13	(55,26.39)	468,70.19	757,61.47	685,68.08
Furniture, fittings & office equipment	202,99.10	12,62.72	(10,43.57)	205,18.25	129,29.34	15,77.18	(8,02.00)	137,04.52	68,13.73	73,69.76
Trade Marks	165,49.11	—	—	165,49.11	162,56.79	92.31	—	163,49.10	2,00.01	2,92.32
Motor vehicles (e)	48,88.90	7,72.29	(16,90.53)	39,70.66	21,39.45	6,30.41	(7,53.84)	20,16.02	19,54.64	27,49.45
Total – 2004	2141,71.54	305,67.76	(133,17.39)	2314,21.91	846,08.96	120,89.94	(75,90.83)	891,08.07	1423,13.84	1295,62.58
– 2003	1994,36.41	264,07.64	(116,72.51)	2141,71.54	778,89.64	124,78.43	(57,59.11)	846,08.96	1295,62.58	

- NOTES :**
- Buildings include Rs. 2.53 lakhs (2003 - Rs. 2.54 lakhs) being the value of shares in co-operative housing societies.
 - The title deeds of immovable properties aggregating Rs. 38,66.44 lakhs (2003 - Rs. 37,13.73 lakhs), acquired on transfer of business / undertakings are in the process of being transferred in the name of the Company.
 - Capital expenditure commitments - Rs. 28,65.74 lakhs (2003 - Rs. 20,83.07 lakhs).
 - Under the Gudalur Janmam Estates (Abolition and Conversion into Ryotwari) Act, 1969, the right and title to certain leasehold land may be altered at a later date, the nature and effect of which cannot be ascertained at present. However, appropriate steps have been taken to protect the Company's interest.
 - Under the Tamil Nadu Land Reforms (Fixation of Ceiling of Land) Act, 1961, the Company has to surrender 6,107.68 acres of surplus land (Cost Rs. 1.95 lakhs) to the Authorities and the case for determination of 297.50 acres as surplus land (Cost Rs. 0.10 lakh) has been remanded to the Authorities by the Special Land Reforms Appellate Tribunal for re-examination.
Adjustment in the accounts will be made as and when the exact compensation receivable for surplus land is determined.
 - Compensation in respect of 1,398.78 Hectares of undeveloped land acquired by the Government of Assam under the Assam Fixation of Ceiling of Land Holdings Act, 1956 and disputed by the Company will be accounted for as and when received.
 - Refer Note 23 to Profit and Loss Account.

Schedules to Balance Sheet

			2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS				
	(Long-term, Unquoted, unless otherwise stated)			
A. INVESTMENTS IN GOVERNMENT SECURITIES				
		7 Year National Savings Certificates - II Issue	1.05	1.05
		Government of India stock of the face value		
		of Rs. 27,00.00 lakhs	27,67.81	473,36.69
		(2003 - Rs. 379,76.00 lakhs) (Current		
		Investments) (quoted)		
		Treasury Bills of the face value of		
		Rs. 170,00.00 lakhs	168,46.35	102,47.34
		(2003 - Rs. 106,59.50 lakhs) (Current		
		Investments)		
		TOTAL - A	196,15.21	575,85.08
B. INVESTMENTS IN SUBSIDIARY COMPANIES AT COST				
		SHARES AND DEBENTURES		
Indexport Limited	25,10,000	Equity shares of Rs.10 each fully paid	2,51.00	2,51.00
Levers Associated Trust Limited	50,000	Ordinary shares of Rs. 10 each fully paid	5.00	5.00
Levindra Trust Limited	50,000	Ordinary shares of Rs. 10 each fully paid	5.00	5.00
Hindlever Trust Limited	50,000	Ordinary shares of Rs. 10 each fully paid	5.00	5.00
Nepal Lever Limited	7,36,560	Equity shares of Nepalese Rs. 100 each fully paid	4,60.00	4,60.00
Lever India Exports Limited	30,000	Equity shares of Rs. 100 each fully paid	70.35	70.35
International Fisheries Limited	2,96,240	Equity shares of Rs. 100 each fully paid	2,94.73	2,94.73
Lipton India Exports Limited	4,80,000	Equity shares of Rs. 100 each fully paid	24.00	24.00
Bon Limited	50,000	Equity shares of Rs. 10 each fully paid	5.00	5.00
Daverashola Tea Company Limited	12,000	Ordinary shares of Rs. 100 each fully paid	12.00	12.00
Thiashola Tea Company Limited	50,000	Ordinary shares of Rs. 10 each fully paid	5.00	5.00
Indigo Lever Shared Services Limited	5,000	Ordinary shares of Rs. 100 each fully paid	4.41	4.41
Merryweather Food Products Limited	4,96,000	Equity shares of Rs. 100 each fully paid	5,08.00	5,08.00
	3,50,000	5% Cumulative Redeemable Preference shares		
		of Rs. 100 each fully paid	3,50.00	3,50.00
Pond's Exports Limited	98,00,147	(2003 - 2,00,003) Equity shares of Rs. 10 each fully paid	9,80.01	20.00
		(96,00,144 shares purchased during the year)		
KICM (Madras) Limited*		(2003 - 5,840) Equity shares of Rs. 100 each fully paid	—	11,70.58
		(Sold during the year)		
		(2003 - 1,000) 7.5% 3 Year Secured Non-Convertible		
		Debentures of Rs.1,00,000 each fully paid	—	10,00.00
		(Sold during the year)		
Modern Food Industries (India) Limited	1,47,550	Equity shares of Rs. 1,000 each	157,41.46	157,41.46
	2,500	Secured Non-Convertible Redeemable Seven Years		
		Debentures	25,00.00	25,00.00
		Coupon Rate 3.50% p.a. for first 36 months and		
		14.50% p.a. for next 48 months		
		TOTAL - B	212,20.96	224,31.53

*Refer Note 13 (vi) to Profit and Loss Account

Schedules to Balance Sheet

6. INVESTMENTS (Contd.)

(Long-term, Unquoted, unless otherwise stated)

2004
Rs. lakhs

2003
Rs. lakhs

C. TRADE INVESTMENTS AT COST			
SHARES			
Tata Chemicals Limited (Formerly shares held in Hind Lever Chemicals Limited)	1,42,32,000	(2003-68,92,800) Equity shares of Rs. 10 each fully paid (quoted) (5 Shares of Tata Chemicals Limited received for every 2 Shares of Hind Lever Chemicals Limited consequent to the merger of Hind Lever Chemicals Limited with Tata Chemicals Limited; 30,00,000 shares sold during the year)	43,29.27
Dugdha Sahakari Kraya- Vikraya Samiti Limited	50	Shares of Rs. 100 each fully paid	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	5.87
Aquagel Chemicals Private Limited	2,84,040	Equity shares of Rs. 100 each fully paid	2,65.56
	9,13,000	7% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid	9,13.00
Super Bazar Co-op. Stores Limited	1,000	Equity shares of Rs. 10 each fully paid	0.10
Vashisti Detergents Limited	1,69,04,140	Equity shares of Rs. 10 each fully paid (quoted)	29,40.00
Kimberly Clark Lever Private Limited	3,62,50,000	Equity shares of Rs. 10 each fully paid	36,25.00
Snowman Frozen Foods Limited	38,32,000	Equity shares of Rs. 10 each fully paid	5,01.71
Coffee Futures India Exchange Limited	1	Equity share of Rs. 10,000 each fully paid	0.10
Quest International India Limited	14,11,200	Equity shares of Rs. 100 each fully paid	68,02.41
Goldfield Fragrances Private Limited	7,164	Equity shares of Rs. 100 each fully paid	2.40
TOTAL - C			193,85.47
D. NON-TRADE INVESTMENTS AT COST			
SHARES, DEBENTURES & BONDS			
ICICI Bank Limited		(2003-147,981) Equity shares of Rs.10 each fully paid (quoted) (Sold during the year)	—
Emergents Genetics India Private Limited (formerly Paras Extra Growth Seeds Limited)	73,12,500	(2003-73,12,400) Equity shares of Rs.10 each fully paid (100 shares purchased during the year)	8,41.66
Indian Railway Finance Corporation		(2003-30,000) 10.50% Eleventh Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Redeemed during the year)(Current Investments)	—
		(2003-30,000) 10.50% Twelfth A Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Redeemed during the year)(Current Investments)	—
		(2003-3,00,000) 10.50% Twelfth A Series Tax Free Secured Redeemable Non-Cumulative Bonds of Rs.1,000 each (Redeemed during the year) (Current Investments)	—
SBI Home Finance Limited		(2003-1,44,200) Equity shares of Rs.10 each fully paid (quoted) (Sold during the year)	—
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs.10 each fully paid	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs.10 each fully paid	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures (Face value Rs.0.14 lakh)	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs.0.27 lakh)	0.27
	44	1/2% Debentures of Rs.100 each (Face value Rs.0.05 lakh : Cost Rs.100)	—
Shillong Club Limited	56	5% Debentures of Rs.100 each (Cost Rs.Nil)	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs.100 each fully paid	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs.10 each fully paid	10.00
Scooters India Limited	10,000	Equity shares of Rs.10 each fully paid (Listed but not quoted)	1.00
Annamallais Ropeway Company Limited	1,150	Ordinary shares of Rs.100 each fully paid (Cost Rs. Nil)	—
Saraswat Co-operative Bank Limited	1,000	Equity shares of Rs.10 each fully paid	0.10
National Bank for Agriculture and Rural Development		(2003-1,06,705) 8.50% Capital Gains Bonds of Rs.10,000 each (Redeemed during the year)	—
	34,690	8% Capital Gains Bonds of Rs.10,000 each	34,69.00
	15,500	5.25% Capital Gains Bonds of Rs.10,000 each	15,50.00
	9,250	5.50% Capital Gains Bonds of Rs.10,000 each	9,25.00
National Highways Authority of India	1,31,250	8% Capital Gains Bonds of Rs.10,000 each	131,25.00
National Housing Bank	50,000	5.50% Capital Gains Bonds 2002 of Rs.10,000 each	50,00.00
	3,075	5.10% Capital Gains Bonds 2002 of Rs.10,000 each (Purchased during the year)	3,07.50

Schedules to Balance Sheet

			2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS (Contd.)				
(Long-term, Unquoted, unless otherwise stated)				
OTHERS				
Unit Trust of India	—	(2003-370) Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs.100 each (Sold during the year) (Current Investments)	—	0.37
	48,77,837	Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments) (Quoted)	50,04.54	50,04.54
Prudential ICICI Mutual Fund	—	(2003-4,63,20,028) Units of Prudential ICICI Institutional Short Term Plan-Dividend Reinvestment Fortnightly (1,21,988 units cumulated and 4,64,42,016 units sold during the year) (Current Investments)	—	50,18.39
	—	Units of Prudential ICICI Institutional Short Term Plan-Dividend Reinvestment Monthly (4,51,82,655 units purchased, 1,03,110 units cumulated and 4,52,85,765 units sold during the year) (Current Investments)	—	—
	—	(2003-66,73,849) Units of Prudential ICICI Institutional Liquid Plan-Growth (Sold during the year) (Current Investments)	—	10,16.60
	21,16,17,030	(2003-4,56,40,665) Units of Prudential ICICI Liquid Plan Institutional Plus-Growth Option (21,16,17,030 units purchased and 4,56,40,665 units sold during the year) (Current Investments)	333,00.00	70,00.00
	14,61,22,962	(2003-12,58,75,866) Units of Prudential ICICI Liquid Plan Institutional Plus-Weekly Dividend Option (35,64,02,948 units purchased 6,19,802 units cumulated and 33,67,75,654 units sold during the year) (Current Investments)	173,31.25	149,24.09
	—	(2003-9,684,011) Units of Prudential ICICI Floating Rate Plan - Growth (Sold during the year) (Current Investments)	—	10,00.00
	—	Units of Prudential ICICI Floating Rate Fund Plan B - Dividend (99,47,354 units purchased, 1,05,954 units cumulated and 1,00,53,308 units sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Floating Rate Fund Plan C - Dividend (7,49,57,956 units purchased, 4,26,797 units cumulated and 7,53,84,753 units sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Floating Rate Fund Plan C - Daily Dividend (1,99,97,400 units purchased, 16,970 units cumulated and 2,00,14,370 units sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Income Fund Institutional Plan - Growth (1,97,89,028 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Liquid Institutional Plan Monthly Dividend (1,50,91,348 units purchased, 18,937 units cumulated and 1,51,10,285 units sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Liquid Institutional Plus Daily Dividend (5,65,32,928 units purchased, 19,675 units cumulated and 5,65,52,603 units sold during the year) (Current Investments)	—	—
	4,28,41,680	Units of Prudential ICICI Liquid Institutional Plus Monthly Dividend (78,31,12,785 units purchased, 27,92,583 units cumulated and 74,30,63,688 units sold during the year) (Current Investments)	51,06.24	—
DSP Merrill Lynch Mutual Fund	—	(2003-2,52,68,330) units of DSP Merrill Lynch Liquidity Fund-Weekly Dividend (4,03,00,871 units purchased, 1,48,824 units cumulated and 6,57,18,025 units sold during the year) (Current Investments)	—	31,34.37
	—	Units of DSP Merrill Lynch Floating Rate Fund - Daily Dividend (2,99,23,695 units purchased, 58,410 units cumulated and 2,99,82,105 units sold during the year) (Current Investments)	—	—
	—	Units of DSP Merrill Lynch Floating Rate Fund - Weekly Dividend (5,48,63,793 units purchased and 2,78,805 units cumulated during the year and 5,51,42,598 units sold during the year) (Current Investments)	—	—
Standard Chartered Mutual Fund	2,70,80,548	(2003-10,33,04,308) Units of Grindlays Cash Fund-Institutional Plan B Growth (2,70,80,548 units purchased and 10,33,04,308 units sold during the year) (Current Investments)	32,00.00	120,00.00
	—	(2003-2,59,85,755) Units of Grindlays Cash Fund-Institutional Plan B Weekly Dividend (20,99,83,333 units purchased, 2,12,413 units cumulated and 23,61,81,501 units sold during the year) (Current Investments)	—	26,76.58

Schedules to Balance Sheet

		2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS (Contd.)			
	(Long-term, Unquoted, unless otherwise stated)		
	— (2003-97,54,099) Units of Grindlays Floating Rate Short Term Institutional Plan B Growth (Sold during the year) (Current Investments)	—	10,00.00
	— (2003-4,61,06,965) Units of Grindlays Super Saver Income Fund - Short Term Plan B Institutional Plan - Monthly Dividend Option (6,19,92,036 units purchased, 6,19,234 units cumulated and 10,87,18,235 units sold during the year) (Current Investments)	—	47,27.50
	— (2003-2,29,73,754) Units of Grindlays Super Saver Income Fund - Short Term Plan B Institutional Plan - Growth Option (Sold during the year) (Current Investments)	—	28,99.79
	— Units of Grindlays Cash Fund Plan C Super Institutional Plan - Daily Dividend (19,99,70,275 units purchased, 55,325 units cumulated and 20,00,25,600 units sold during the year) (Current Investments)	—	—
	4,54,46,466 Units of Grindlays Cash Fund Plan C Super Institutional Plan - Growth (7,34,50,106 units purchased and 2,80,03,640 sold during the year) (Current Investments)	47,00.00	—
	14,49,83,087 Units of Grindlays Cash Fund Plan C Super Institutional Plan - Weekly Dividend (84,19,44,324 units purchased, 13,59,981 units cumulated and 69,83,21,218 units sold during the year) (Current Investments)	144,98.30	—
	— Units of Grindlays Floating Rate Fund Plan C Super Institutional Plan - Weekly Dividend (2,49,93,502 units purchased, 66,337 units cumulated and 2,50,59,839 units sold during the year) (Current Investments)	—	—
	— Units of Grindlays Floating Rate Fund Short Term Plan Institutional Plan - Weekly Dividend (69,32,203 units purchased, 52,037 units cumulated and 69,84,240 units sold during the year) (Current Investments)	—	—
	2,00,00,000 Units of Grindlays FMP AP - Growth (Purchased during the year) (Current Investments)	20,00.00	—
HDFC Mutual Fund	— (2003-41,95,754) Units of HDFC Liquid Fund - Premium Plus Plan-Dividend Reinvestment (1,66,60,413 units purchased, 1,35,556 units cumulated and 2,09,91,723 units sold during the year) (Current Investments)	—	5,01.94
	— (2003-5,71,33,345) Units of HDFC Liquid Fund - Premium Plus Plan - Growth (Sold during the year) (Current Investments)	—	71,00.00
	— (2003-1,90,07,363) Units of HDFC Cash Management Fund - Savings Plan - Weekly - Dividend Reinvestment (8,18,44,780 units purchased, 3,72,414 units cumulated and 10,12,24,557 units sold during the year) (Current Investments)	—	20,20.49
	— Units of HDFC Cash Management Fund Savings Plus - Dividend (1,99,79,817 units purchased, 92,719 units cumulated and 2,00,72,536 units sold during the year) (Current Investments)	—	—
	— Units of HDFC Cash Management Fund Savings Plan - Daily Dividend (1,22,22,180 units purchased, 1,264 units cumulated and 1,22,23,444 units sold during the year) (Current Investments)	—	—
	4,56,66,454 Units of HDFC Cash Management Fund Savings Plan - Growth (Purchased during the year) (Current Investments)	60,00.00	—
Birla Sunlife Mutual Fund	— (2003-4,53,63,796) Units of Birla Cash Plus Monthly - Dividend Reinvestment (4,29,71,209 units purchased and 6,96,483 units cumulated and 8,90,31,488 units sold during the year) (Current Investments)	—	45,38.56
	— (2003-6,86,64,645) Units of Birla Cash Plus Institutional Plan - Growth (Sold during the year) (Current Investments)	—	114,40.92
	— Units of Birla Cash Plus Institutional Premium Plan - Daily Dividend (3,89,26,290 units purchased, 20,994 units cumulated and 3,89,47,284 units sold during the year) (Current Investments)	—	—
	— Units of Birla Cash Plus Institutional Premium Plan - Fortnightly Dividend (13,41,71,204 units purchased, 3,77,122 units cumulated and 13,45,48,326 units sold during the year) (Current Investments)	—	—
	— Units of Birla Cash Plus Institutional Premium Plan - Weekly Dividend (6,38,66,689 units purchased, 1,86,053 units cumulated and 6,40,52,742 units sold during the year) (Current Investments)	—	—
	89,09,684 Units of Birla Bond Plus Institutional Plan - Dividend (88,79,317 units purchased, 30,367 units cumulated during the year) (Current Investments)	9,26.64	—

Schedules to Balance Sheet

		2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS (Contd.)			
(Long-term, Unquoted, unless otherwise stated)			
Deutsche Mutual Fund	—	—	54,00.00
	—	—	25,25.34
	1,50,71,306	16,00.00	10,19.84
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	1,19,69,835	12,11.11	—
	—	—	—
HSBC Mutual Fund	—	—	30,00.00
	1,49,65,019	16,00.00	20,00.00
	—	—	15,20.24
	—	—	—
	19,25,63,707	192,63.49	—
	7,50,02,767	75,01.92	—
Principal Mutual Fund	—	—	14,00.00
	2,39,38,564	25,00.00	73,12.10
	—	—	—
	—	—	—

Schedules to Balance Sheet

		2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS (Contd.) (Long-term, Unquoted, unless otherwise stated)			
	— Units of Principal Cash Management Fund Liquid Option Institutional Premium Plan-Dividend Reinvestment-Daily (17,54,91,271 units purchased, 1,32,637 units cumulated and 17,56,23,908 units sold during the year) (Current Investments)	—	—
13,87,45,487	Units of Principal Cash Management Fund Liquid Option - Institutional Premium Plan-Dividend Reinvestment - Monthly (19,85,96,002 units purchased, 1,67,998 units cumulated and 6,00,18,513 units sold during the year) (Current Investments)	138,78.74	—
2,70,27,497	Units of Principal Cash Management Fund Liquid Option - Institutional Premium Plan - Dividend Reinvestment - Weekly (2,70,00,608 units purchased, 26,889 units cumulated during the year) (Current Investments)	27,02.82	—
4,92,38,287	Units of Principal Cash Management Fund Liquid Option-Institutional Premium Plan - Growth (Purchased during the year) (Current Investments)	50,00.00	—
—	Units of Principal Floating Rate Fund Short Maturity Plan - Institutional Plan Daily Dividend (2,49,98,250 units purchased and 64,018 units cumulated and 2,50,62,268 units sold during the year) (Current Investments)	—	—
—	Units of Principal Floating Rate Fund Short Maturity Plan - Institutional Plan Weekly Dividend (2,50,62,268 units purchased and 41,618 units cumulated and 2,51,03,886 units sold during the year) (Current Investments)	—	—
—	Units of Principal Income Fund Institutional Plan - Growth (1,86,33,253 units purchased and sold during the year) (Current Investments)	—	—
—	Units of Principal Income Fund Short Term Plan Institutional Plan - Monthly Dividend (1,99,20,252 units purchased 70,487 units cumulated and 1,99,90,739 units sold during the year) (Current Investments)	—	—
Franklin Templeton Fund	(2003-1,30,80,425) Units of Templeton India Liquid Fund Growth (Sold during the year) (Current Investments)	—	20,05.72
—	(2003-3,77,58,210) Units of Templeton Floating Rate Income Fund Short Term Plan Dividend Reinvestment (7,79,672 units cumulated and 3,85,37,882 units sold during the year) (Current Investments)	—	37,78.24
—	(2003-44,57,639) Units of Templeton Floating Rate Income Fund Short Term Plan-Growth (Sold during the year) (Current Investments)	—	5,00.00
—	(2003-3,48,550) Units of Templeton India Treasury Management Account-Weekly Dividend Reinvestment (1,54,093 units purchased, 5,358 units cumulated and 5,08,001 units sold during the year) (Current Investments)	—	43,37.31
—	Units of Templeton India Treasury Management Account - Daily Dividend (1,25,665 units purchased, 14 units cumulated and 1,25,679 units sold during the year) (Current Investments)	—	—
—	Units of Templeton India Treasury Management Account Institutional Plan - Daily Dividend (4,99,990 units purchased, 172 units cumulated and 5,00,162 units sold during the year) (Current Investments)	—	—
—	Units of Templeton India Treasury Management Account Institutional Plan - Weekly Dividend (34,63,341 units purchased, 5,648 units cumulated and 34,68,989 units sold during the year) (Current Investments)	—	—
—	Units of Templeton India Income Builder Account - Institutional Plan - Growth (1,59,36,711 units purchased and sold during the year) (Current Investments)	—	—
	TOTAL - D	1725,79.78	1602,00.15
	TOTAL - (A+B+C+D)	2328,01.42	2605,14.81
Provision for diminution in value of long term investments		(98,45.15)	(30,21.73)
Refer Note in Schedule 3 to the Balance Sheet		2229,56.27	2574,93.08
Aggregate book value of investments	Unquoted	2079,13.65	1967,89.39
	Listed but not quoted	1.00	1.00
	Quoted - Market Value Rs. 342,22.71 lakhs (2003 - Rs. 803,76.32 lakhs)	150,41.62	607,02.69
	TOTAL	2229,56.27	2574,93.08

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs
7. INVENTORIES (at lower of cost and net realisable value)		
Stores and spare parts, etc.	37,45.62	36,98.19
Raw materials	698,58.14	561,47.27
Packing materials	96,82.86	79,72.41
Work-in-progress	45,62.72	58,04.28
Processed chemicals	1,09.07	1,71.50
Finished goods	590,39.76	654,04.60
Property Development Activity - Work-in-progress (Refer Note 15 to Profit and Loss Account)	46.09	65.09
	1470,44.26	1392,63.34
8. SUNDRY DEBTORS (unsecured)		
Considered good		
Over 6 months old	61,83.72	44,71.94
Others	427,43.25	426,13.07
	489,26.97	470,85.01
Considered doubtful		
Over 6 months old	70,85.49	64,16.63
Others	—	—
	70,85.49	64,16.63
	560,12.46	535,01.64
Less : Provision for doubtful debts	(70,85.49)	(64,16.63)
	489,26.97	470,85.01
9. CASH AND BANK BALANCES		
Cash on hand	1,11.61	1,38.33
With Scheduled banks		
- on current accounts	101,86.65	194,48.32
- on deposit accounts (includes Rs. 55,00.00 lakhs lien on bank deposits for loan given to subsidiaries; 2003 - Rs. Nil lakhs)	595,06.54	610,53.27
Non-Scheduled banks		
- on current account	—	8.19
Nepal Grindlays Bank Limited (Maximum amount outstanding during the year Rs. 8.19 lakhs; 2003 - Rs. 8.19 lakhs)		
	698,04.80	806,48.11
10. OTHER CURRENT ASSETS		
Income accrued on investments and deposits	39,03.62	48,54.17
Dividends receivable from subsidiary companies	4,60.35	4,13.93
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	9,13.74	9,81.71
	52,77.71	62,49.81

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs
11. LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances and loans to subsidiaries		
Considered good (including Rs. 6,00.00 lakhs (2003 - Rs. 30,00.00 lakhs) secured by equitable mortgage on immovable properties)	59,97.14	161,00.96
Considered doubtful	3,00.00	3,00.00
	<u>62,97.14</u>	<u>164,00.96</u>
Less : Provision for doubtful advances	<u>(3,00.00)</u>	<u>(3,00.00)</u>
	59,97.14	161,00.96
Advances recoverable in cash or in kind or for value to be received [including :-	374,21.38	465,83.02
(i) Rs. 145,45.17 lakhs (2003 - Rs. 110,47.61 lakhs) not due before 31st December, 2005;		
(ii) Rs. Nil lakhs (2003 - Rs. 30.28 lakhs) due from officers of the Company - maximum amount due during the year Rs. 30.28 lakhs (2003 - Rs. 31.02 lakhs);		
(iii) Rs. 0.10 lakh (2003 - Rs. 26.92 lakhs) due from the directors of the Company - maximum amount due during the year Rs. 26.92 lakhs (2003 - Rs. 4,70.65 lakhs) and		
(iv) Rs. Nil lakhs (2003 - Rs. 10,00.00 lakhs) on account of inter corporate deposits].		
Considered doubtful	29,72.97	47,57.91
	<u>403,94.35</u>	<u>513,40.93</u>
Less : Provision for doubtful advances	<u>(29,72.97)</u>	<u>(47,57.91)</u>
	374,21.38	465,83.02
Receivable from Emergent Genetics India Private Limited (Formerly known as Paras Extra Growth Seeds Limited)	16,80.00	16,80.00
Deposits with Customs, Port Trust, Excise, etc.	143,43.27	125,68.64
	<u>594,41.79</u>	<u>769,32.62</u>
12. LIABILITIES		
Acceptances	447,38.31	598,21.66
Sundry creditors (see Schedule 19)		
Small Scale Industrial Undertakings	43,18.90	47,93.05
Others	1986,05.60	1792,70.74
	2029,24.50	1840,63.79
Amounts due to Subsidiaries	16.25	—
Advances and progress payments - Property Development Activity	1,21.78	1,54.26
Security advances	16,09.50	17,69.24
Dividends declared pending payment / encashment	34,88.85	32,88.01
Interest accrued but not due on loans	61,79.95	68,51.36
	<u>2590,79.14 *</u>	<u>2559,48.32 *</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs
13. PROVISIONS		
Provision for retirement / post retirement benefits and other employee benefits	446,83.16	515,75.95
Proposed dividend	550,31.09	660,37.31
Current taxation (provisions in excess of payments) including tax on distributed profits	57,40.47	67,30.12
Other provisions	68,91.65	67,68.01
	1123,46.37	1311,11.39
14. DEFERRED TAX ASSETS		
On employee separation and retirement	198,10.43	210,07.74
On other timing differences	120,32.72	130,02.24
On fiscal allowances on investments	2,65.00	6,65.45
Other items	44,76.51	30,33.70
	365,84.66	377,09.13
15. DEFERRED TAX LIABILITIES		
On fiscal allowances on fixed assets	139,84.61	109,65.19
	139,84.61	109,65.19
16. Certain demands for increased wages, etc. received from workmen have been referred to adjudication. In the opinion of the Company's management, the ultimate liability to the Company, if any, with respect to such demands would not have a material effect on the accounts.		
17. Pursuant to the order passed by the Hon'ble High Court of Bombay dated 16th June, 1997, the erstwhile Pond's (India) Limited had, on 21st July, 1997, allotted 9,31,000 shares on preferential basis to M/s. Unilever Overseas Holdings BV at a price of Rs. 620/- per share and an amount of Rs. 610/- per share was credited to Share premium account in respect of these shares. These shares and the share premium thereon are subject to the conditions imposed by the Hon'ble High Court of Karnataka in its interim order dated 6th April, 1994 [Writ Petition No. 3863 of 1994] and are subject to the final orders that may be passed by the court on the writ petition. Likewise 9,31,000 bonus shares relating to the preferential allotment made to M/s. Unilever Overseas Holdings BV, are subject to the same terms and conditions applicable to the preferential allotment. In respect of the above, 1,39,65,000 shares of Re. 1 each fully paid up of the Company have been issued.		
18. CONTINGENT LIABILITIES		
(i) Claims made against Company not acknowledged as debts and other matters - gross Rs. 514,27.75 lakhs (2003 - Rs. 560,72.24 lakhs) net of tax	412,10.68	436,39.41
(ii) Bills discounted but not matured	10.28	29,66.91
(iii) Guarantees given to banks, etc. in respect of third parties	64,20.16	12,28.01
19. The names of small scale industries to whom the Company owes dues outstanding for more than 30 days at the Balance Sheet date, computed on unit-wise basis, are : Foods & Flavours, Omega Packaging, Sai Printing, Valentine Agro, Azmat Printers, True Cartons, Clarion Cosmetics, Ajanta Packaging, Ajanta Print Arts, B K Print & Pack, Creative Packaging, Creative Technoplast, Empire Packages Pvt. Ltd., Gulshan Lamee Pack Pvt. Ltd., Jewel Brush Pvt. Ltd., Katyani, Nikita Plast Unit II, PRS Industrials, Paper Box Company, Salicylates & Chemicals Pvt. Ltd., SSF Plastics Ind., Star Industries, Borkar Packaging Pvt. Ltd., Devarsons Ind. Ltd., Kusuma Pharma, Parksons Packaging Ltd., Vee Kay Oils Ltd., Associated Commercial Enterprises, G & M Salt Trading Co., Sree Balaji Traders, Shree Sheshasayee Pulvarisors, Siddi Vinayaka Industries, V.B. Chemicals, Organo Metallics Ltd., Pyramid Packaging, Sree Chakra Containers, Sree		

Schedules to Balance Sheet

Vinayaka Pulvarisors, Yeduguri Minerals, Chennai Alam, Shakti Traders, Sahayamatha Saltners (P) Ltd., Amit Chemical, Deepak Chemical, Kasak India (P) Ltd., Chemexpo Pvt. Ltd., Vibgyor Printing, Bhagirathi Packaging Pvt. Ltd., York Print Pvt. Ltd., Ever Ready Packaging, Bengal Traders Pvt. Ltd., Poddar Silicates, Saraf Enterprise, Tirupathi Packaging, Mandakini Agency, JO Bland Enterprises, Lihala Packaging Pvt. Ltd., Prime Pack, Southern Prime Pack, Tristar Packaging, Sai Carton Manufacturing Company, Indarshan Shamlal, R R Poly Industries, Ruchi Packaging Pvt. Ltd., Sigma Pack, Vitech Polymers, Arsh Plastics, Safeguard Packaging, Supack Pvt. Ltd., Trinity Polymers, Chemex Dets., Oriclean Pvt. Ltd., Prockage Soapery, Hitech Surfactants, S C Packaging, Nirmala Dyechem and Mansa.

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

20. Subsequent to the Balance Sheet date, pursuant to the Scheme of Arrangement between the Company and its members, as approved by the shareholders in the Court convened meeting held on 9th August, 2002 and subsequently sanctioned by the Honourable High Court of Mumbai on 19th December, 2002, the Company has redeemed in full 9% Secured Redeemable Debentures of Rs. 6 each aggregating Rs. 1320,74.63 lakhs.

21. Interests in Joint Ventures :

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

Name	Country of Incorporation	Percentage of own-ership interest as at 31st December, 2004	Percentage of own-ership interest as at 31st December, 2003
Kimberly - Clark Lever Private Limited	India	50%	50%
Quest International India Limited	India	49%	49%
Lever Gist Brocades Pvt. Ltd. (upto September, 2003)	India	Nil	Nil
SC Johnson Products Pvt. Ltd. (upto June, 2003)	India	Nil	Nil

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

	As at 31st December, 2004 (Rs. lakhs)	As at 31st December, 2003 (Rs. lakhs)
I. ASSETS		
1. Fixed Assets	41,43.26	51,93.51
2. Investments	22,66.12	13,35.12
3. Current Assets, Loans and Advances		
a) Inventories	10,62.40	9,17.17
b) Sundry Debtors	8,36.51	8,97.81
c) Cash and Bank Balances	33,56.56	30,82.04
d) Other Current Assets	1,68.31	1,36.92
e) Loans and Advances	9,33.56	4,07.65
II. LIABILITIES		
1. Deferred Tax Net	(5,53.26)	(4,39.39)
2. Current Liabilities and Provisions		
a) Liabilities	(22,72.88)	(25,11.89)
b) Provisions	(3,13.12)	(2,59.12)
	For the year ended 31st December, 2004 (Rs. lakhs)	For the year ended 31st December, 2003 (Rs. lakhs)
III. INCOME		
1. Sales (net of excise duty)	92,71.52	70,11.70
2. Other Income	3,49.09	2,83.08
IV. EXPENSES		
1. Operating Expenses	(72,51.80)	(56,09.76)
2. Depreciation	(7,01.60)	(3,34.49)
3. Interest	(1.09)	—
4. Provision for Taxation (including deferred taxation)	(5,31.55)	(1,86.81)
V. OTHER MATTERS		
Contingent Liabilities	—	8.28

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

Statements forming part of the Profit and Loss Account

	Licensed Capacity		Installed Capacity	
	2004 Tonnes	2003 Tonnes	2004 Tonnes	2003 Tonnes
1. Licensed/Installed annual capacities : on single shift basis (unless otherwise stated)				
Scheduled :				
Processed triglycerides/ hydrogenated oils/vanaspati	38,950	38,950	8,166	12,333
Soaps	3,77,538	3,77,538	2,00,084	2,03,917
Synthetic detergents	4,46,580	4,46,580	3,07,946	2,82,946
Personal products(h)	2,50,898	2,19,231	74,175	65,168
Glycerine	12,324	11,524	5,910	6,655
Fine chemicals(d)	2,417	2,417	1,167	1,508
Organic/Speciality Chemicals	367	367	—	367
Ossein	1,000	1,000	—	—
Di-calcium phosphate	2,000	2,000	—	—
Dicamba herbicide	333	333	—	—
Fabric softener	2,833	2,833	4,281	4,281
Fatty acids	94,333	94,333	60,000	48,333
Plant growth nutrient	667	667	—	—
Plant growth nutrient (Kilo litres)	200	200	—	—
Fluid cracking catalyst (e)	5,000	5,000	—	—
Oil milling -Oils	19,438	19,438	—	—
-Oil seeds	32,668	32,668	7,300	22,508
-Oil cakes etc.	14,833	14,833	—	—
Industrial machinery (units) (e)	24	24	—	—
Perfumery and cosmetic products (units) (e)	30,00,000	30,00,000	37,50,000	37,50,000
Perfumery and cosmetic products	362	362	500	500
Packet Tea below 1kg. and tea bags (e)	5,000	5,000	—	—
Instant Tea	650	650	1,200	650
Functionalised biopolymer (e)	7,875	7,875	8,800	6,250
Zeolites (e)	5,000	5,000	—	—
Frozen Surimi, Fresh and Frozen fish, Molluscs, etc.	41,481	41,481	40,096	31,796
Edible Groundnut Flour, Protein Foods, etc.	7,667	7,667	3,796	3,796
Synthetic Beverages, Processed Foods, etc.	30,635	30,635	15,000	30,000
Canned and Processed Fruits and Vegetable	26,316	9,216	9,216	9,216
Packaging machinery (units)	5	5	40	40
Printing machinery (units)	8	8	—	—
Gravure cylinders and components (units)	875	875	—	—
Ice-cream/Frozen desserts (Mln. Kgs.) (j)	22	22	8	8
Instant Foods	500	500	—	—
Perfumery Compounds	3,106	3,106	—	—
Flavouring Essences	1,608	1,608	—	—
Non-scheduled :				
Packed Tea	N.A.	NA	2,82,003	2,96,803
Garden Tea	N.A.	NA	Not Ascertainable	Not Ascertainable
Packed Coffee	N.A.	NA	7,900	9,300
Margarine	N.A.	NA	—	—
Scourers (f)	N.A.	NA	6,800	6,800
Refined Oils	N.A.	NA	1,070	1,070

(a) N.A. - Not Applicable

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

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

(d) Fine Chemicals of different types, covered by separate industrial licenses/IEMs but having separate sub-limits, have been grouped together.

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

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

(g) Licensed and installed capacities for the year indicated above include those vested in the Company consequent to amalgamation of the erstwhile The Tata Oil Mills Company Limited (TOMCO). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licences. The said capacities are expressed on a single shift basis (as converted) based on 365 days working in a year.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the

Statements forming part of the Profit and Loss Account

1. Licensed/Installed annual capacities on single shift basis : (Contd.)

amalgamation of the erstwhile Brooke Bond Lipton India Limited (BBLIL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licences.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Pond's (India) Limited (PIL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licences.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the acquisition on 1st January, 1996, of the Detergents business from Hind Lever Chemicals Limited. Necessary applications have been submitted to obtain endorsement of the name of the Company on these licences.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Industrial Perfumes Limited (IPL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licences.

Similarly, installed capacities for the year indicated above include those vested in the Company, consequent to the transfer of tea export business of Lipton India Exports Limited to the Company.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile International Best Foods Limited (IBFL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licences.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the acquisition on 28th March, 2003, of the Sea Food Business Undertaking of the Amalgam Group.

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

- (i) In respect of the factories of the erstwhile TOMCO where there is no indication of quantitative capacities in the Registration Certificates, the installed capacities have been deemed to be the licensed capacities. In respect of the following units of the erstwhile TOMCO, communications have been received from the Government of India endorsing quantitative capacities on Registration Certificates for soaps and Glycerine as follows:

	Licensed Capacity included in the above statement for the unit		Quantity endorsed in Registration Certificate (expressed on Single Shift basis as converted)	
	Soaps Tonnes	Glycerine Tonnes	Soaps Tonnes	Glycerine Tonnes
Tatapuram	15,667	380	10,727	289
Calicut	—	149	—	34
Sewri	15,667	380	8,000	281

The erstwhile TOMCO had disputed the endorsed capacities and had made a representation to the Government that installed capacities of the respective unit should be treated as licensed capacities.

- (j) Ice-creams and Frozen Desserts are alternate capacities.

	2004 Tonnes	2003 Tonnes
2. Production		
Processed triglycerides / hydrogenated oils / vanaspati	2,841**	21,754**
Soaps	2,94,461**	3,27,333**
Synthetic detergents	7,08,438**	7,13,771**
Personal Products ('000 nos.)	315,97,29	310,50,82
Glycerine : Refined	3,695**	6,530**
Fine chemicals	309**	1,395**
Packed Tea	64,272**	79,058**
Garden Tea	16,066	19,000
Instant Tea	1,070	821
Packed Coffee	12,125**	11,770**
Functionalised biopolymers	8,799	8,979
Processed Foods	24,448	21,363
Canned and Processed Fruits and Vegetables	16,414**	25,634**
Frozen Desserts (Million Ltrs.)	4	4
Margarine	—	4,640

** Includes :

- (a) Third party processing :
Soaps - 15,707 tonnes (2003 - 52,008 tonnes), Synthetic detergents - 3,47,328 tonnes (2003 - 3,25,381 tonnes), Glycerine - 304 tonnes (2003 - 520 tonnes), Fine Chemicals - 59 tonnes (2003 - 283 tonnes), Packed Tea - 3,225 tonnes (2003 - 9,860 tonnes), Packed Coffee - 5,574 tonnes (2003 - 5,109 tonnes), Canned and Processed Fruits and Vegetables - 10,690 tonnes (2003 - 11,305 tonnes).
- (b) Processing in leased units : Processed triglycerides / hydrogenated oil / vanaspati - 2,841 tonnes (2003 - 7,584 tonnes).

Statements forming part of the Profit and Loss Account

	2004		2003	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
3. Sales (including exports)				
Soaps	3,67,880	2380,91.54	3,71,394	2330,93.39
	551*		841*	
Synthetic detergents	929,540	1872,62.23	8,91,331	1847,20.02
	1,376*		1,361*	
Personal Products ('000 nos.)	736,61,98	2459,94.34	661,45,07	2391,02.76
	59,375*		27,172*	
Garden Tea	12,348	67,82.36	12,054	54,39.27
	3,763*		6,244*	
Tea	97,202	1347,17.16	1,10,943	1360,35.33
Coffee	26,519	336,31.36	30,672	325,92.89
Frozen Desserts & Ice Creams (Million Ltrs.)	11	87,74.26	12	91,74.56
Processed triglycerides/hydrogenated oils/vanaspati (d)	44,561	183,65.50	76,932	349,45.48
Canned and Processed Fruits and Vegetables	26,187	146,15.75	35,197	198,18.15
Branded Staple Foods (a)	2,79,030	161,44.15	3,25,830	211,19.20
Speciality Chemicals (b)	14,983	58,94.09	16,015	86,69.03
	1,778*		2,761*	
Others (c)		824,21.90		891,25.24
		9926,94.64		10138,35.32

Notes :

- (a) Branded staple foods includes wheat flour, iodised salt and rice in consumer packs.
- (b) Speciality Chemicals comprises Glycerine, Fine Chemicals, Mixtures of Odoriferous substances, Functionalised biopolymers, Perfumery compounds, Flavouring essences and Oleo chemicals.
- (c) Others includes Scourers, Marine products, Agri commodities, Leather, Footwear, Garments, Carpets and Mushroom, etc.
- (d) 2003- Excludes stocks transferred on sale of Oil and Dairy Fat business 4,637 tonnes; Rs. 18,21.16 lakhs.

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

	2004		2003		2002	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
4. Closing stocks (including processed chemicals)						
Processed triglycerides/hydrogenated oils/vanaspati	3,681	14,70.76	2,067	7,26.67	7,387	29,21.53
Soaps	27,777	150,51.48	35,474	178,65.01	27,060	143,71.00
Synthetic detergents	48,214	106,74.04	46,948	103,59.40	36,849	83,54.00
Personal Products ('000 nos.)	94,91,62	215,79.08	135,72,23	245,04.78	134,60,41	190,88.00
Fine Chemicals	3	4.57	118	3,14.13	109	4,04.34
Tea	4,447	36,67.76	4,858	33,34.99	5,363	36,67.97
Coffee	841	10,00.04	950	10,56.53	1,077	11,44.21
Functionalised biopolymers	182	55.55	178	36.45	291	56.44
Others		56,45.55		73,78.14		65,80.36
		591,48.83		655,76.10		565,87.85

	2004		2003	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
5. Raw materials consumed @				
Oils, fats and rosins	2,06,302	577,14.97	2,74,117	725,53.86
Chemicals and perfumes	9,38,831	1309,50.09	8,60,754	1181,59.45
Tea and Green Leaf *	1,66,939	664,57.99	1,82,691	668,06.24
Coffee	25,292	120,94.86	31,190	117,91.34
Others		454,40.03		529,75.25
		3126,57.94		3222,86.14

* Includes Green Leaf plucked / purchased and consumed.

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

Statements forming part of the Profit and Loss Account

6. Value of imported and indigenous materials consumed

		2004		2003	
		%	Rs. lakhs	%	Rs. lakhs
Raw materials	- Imported	20	616,21.45	15	495,70.43
	- Indigenous	80	2510,36.49	85	2727,15.71
Spare parts and components (including stores)	- Imported	32	18,27.01	37	18,17.18
	- Indigenous	68	38,28.88	63	30,44.76
			2004		2003
			Rs. lakhs		Rs. lakhs

7. Value of imports on CIF basis

(excluding purchases from canalising agencies and imported items purchased locally)

Raw and packing materials	629,63.60	604,95.87
Spare parts and components	19,62.66	17,27.92
Capital goods	27,92.50	12,78.87
	<u>677,18.76</u>	<u>635,02.66</u>

		2004		2003	
		Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
8. Purchase of goods	Processed triglycerides/hydrogenated oils/vanaspati	43,334	165,91.61	49,855	220,87.91
	Soaps	66,273	265,30.94	53,316	221,71.93
	Synthetic detergents	2,23,744	280,38.54	1,89,020	224,25.48
	Personal Products ('000 nos.)	385,77.83	500,17.62	352,06.27	506,73.60
	Ice creams (Million Ltrs.)	8	51,22.24	8	46,67.77
	Others (agri commodities, scourers, edible oils and fats, etc.)		380,12.10		384,49.57
	Total		1643,13.05		1604,76.26
	Less : Excise duty on purchases		(170,73.79)		(175,00.56)
			<u>1472,39.26</u>		<u>1429,75.70</u>
			2004		2003
			Rs. lakhs		Rs. lakhs

9. Earnings in foreign exchange

Exports at FOB (including exports to Nepal and Bhutan)	1201,45.17	1178,78.25
Royalty	63.42	68.56
Others (income from services, freight, insurance, claims, proceeds from sale of fixed assets, etc.)	120,81.51	99,35.63
	<u>1322,90.10</u>	<u>1278,82.44</u>

10. Expenditure in foreign currency

(on payment basis) (subject to deduction of tax where applicable)

Consultancy	13,45.32	6,38.65
Royalty	51,32.76	54,71.68
Interest	52,42.05	—
Other matters :		
(a) Imports of goods for resale	13,08.50	68,17.44
(b) Others	47,18.80	67,72.84
	<u>177,47.43</u>	<u>197,00.61</u>

11. Net dividend remitted in foreign currency

2002 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	—	301,75.65
2003 Interim to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	—	283,71.23
2003 Special to 7 shareholders on 1,13,48,49,460 shares of Re. 1 each	—	200,30.09
2003 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	340,45.48	—
2004 Interim to 7 shareholders on 1,13,48,49,460 shares of Re. 1 each	283,71.24	—
	<u>624,16.72</u>	<u>785,76.97</u>

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

Statements forming part of the Profit and Loss Account

	2004 Rs. lakhs	2003 Rs. lakhs
13. Directors' remuneration		
Salaries	1,70.92	2,01.91
Performance Linked Bonus / Commission to Wholetime Directors	3,29.50	3,90.83
Commission to Non-Wholetime Directors	25.00	25.00
Contribution to provident fund	55.37	57.38
Other perquisites*	71.24	1,03.06
	<u>6,52.03</u>	<u>7,78.18</u>

* The stock options granted by the Company were at market price and not at a discount. But consequent to the Scheme of Arrangement between the Company and its members for issue of bonus debentures, the value of stock options outstanding were reduced by Rs. 8.76 per option. In accordance with the guidelines issued by Securities and Exchange Board of India, and also as a conservative accounting policy, the accounting value of options arising out of the reduction of Rs.8.76 per option is being amortised over the vesting period. Accordingly Perquisites include amortisation of Employee Stock Options amounting to Rs.15.55 lakhs (2003 : Rs. 12.28 lakhs).

Note :

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

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

	2004 Rs. lakhs	2003 Rs. lakhs
Net Profit after taxation	1197,34.37	1771,79.40
Add :		
Depreciation (as per accounts)	120,89.94	124,78.43
Directors' remuneration	6,52.03	7,78.18
Directors' fees	8.60	1.65
Provision / (write back) for doubtful debts and advances (net)	(11,16.08)	25,50.62
Book deficit / (surplus) on fixed assets sold, scrapped, etc. (net)	26,75.49	(10,76.15)
Surplus on disposal of investments (net)	(24,50.29)	(46,38.19)
Provision for diminution in value of investment of a subsidiary	87,27.00	—
Provision / (write back) for diminution in value of Investments and excess of cost over fair value of current investments (net), included in miscellaneous expenses	(1,29.15)	53.96
Provision for loss arising out of disposal of mushroom undertaking, included in exceptional items	3,01.17	19,03.00
Provision / (write back) for estimated losses on disposal of fixed assets, included in miscellaneous expenses and exceptional items	(24,07.34)	54,07.18
Profit arising on disposal of land	(94,85.19)	—
Profit arising on disposal of a long-term investment	(40,54.08)	—
Taxation for the year (after considering exceptional items)	<u>287,66.40</u>	<u>396,18.70</u>
	<u>335,78.50</u>	<u>570,77.38</u>
	1533,12.87	2342,56.78
Less :		
Depreciation under Section 350	125,18.18	125,84.78
Profit on sale / transfer of businesses, etc; included in exceptional items (net)	—	56,20.30
Deficit / (Surplus) on disposal of fixed assets (net) under Section 349	<u>48,96.07</u>	<u>(21,20.09)</u>
	<u>174,14.25</u>	<u>160,84.99</u>
Net profit for Section 198 of the Companies Act, 1956	<u>1358,98.62</u>	<u>2181,71.79</u>
Commission to Non-Wholetime Directors at 1%	13,58.99	21,81.72
Commission to 2 Wholetime Directors for 12 months and 2 Wholetime Directors for 8 months, 1 Wholetime Director for 6 months and 1 Wholetime Director for 4 months each at 1% per annum limited to 5% for all Wholetime Directors	56,66.97	105,37.70
Commission payable for the year	<u>3,54.50</u>	<u>4,15.83</u>

Notes to the Cash Flow Statement for the year ended 31st December, 2004

	2004 Rs. lakhs	2003 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	698,04.80	806,48.11
Unrealised loss / (gain) on foreign currency cash and cash equivalents	0.06	(1.73)
Total cash and cash equivalents	<u>698,04.86</u>	<u>806,46.38</u>
2. Consideration received on sale of Edible Oils and Fats business, considered under exceptional items (net of Rs. 1,53.38 lakhs towards net current assets)	—	85,16.62
3. Cash and Cash equivalents includes Rs. 55,00.00 lakhs lien on bank deposits for loans availed by subsidiaries; 2003 - Rs. Nil lakhs.		
4. Figures in brackets indicate Cash Outgo.		
5. In view of note 2 above, the current year's figures are not comparable with that of the previous year.		
6. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard - 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.		
7. The previous year's figures have been regrouped/restated wherever necessary to conform to this year's classification.		

Segment Information for the Year Ended 31st December, 2004

Information About Primary Business Segments

	2004 Rs. lakhs			2003 Rs. lakhs		
	External	Intersegment	Total	External	Intersegment	Total
REVENUE						
Soaps and Detergents	4470,74.07		4470,74.07	4379,42.86		4379,42.86
Personal Products	2472,24.43		2472,24.43	2410,17.69		2410,17.69
Beverages	1194,55.06		1194,55.06	1184,17.54		1184,17.54
Foods	285,07.01		285,07.01	602,45.94		602,45.94
Ice Creams	88,94.24		88,94.24	93,39.33		93,39.33
Exports	1249,01.54		1249,01.54	1225,09.97		1225,09.97
Other Operations	274,73.07	25,41.95	300,15.02	350,73.92	37,10.85	387,84.77
Total Segment	10035,29.42	25,41.95	10060,71.37	10245,47.25	37,10.85	10282,58.10
Eliminations			(25,41.95)			(37,10.85)
Total Revenue (see note 3 to Segment Information)			10035,29.42			10245,47.25
RESULT						
Soaps and Detergents			775,06.18			1088,28.42
Personal Products			807,50.24			884,10.08
Beverages			238,70.75			224,83.65
Foods			(81,76.35)			56.46
Ice Creams			(4,69.15)			38.67
Exports			39,61.76			61,52.77
Other Operations			(32,86.06)			(15,00.46)
Total Segment			1741,57.37			2244,69.59
Eliminations			—			3,11.00
Total Consolidated			1741,57.37			2247,80.59
Un-allocated expenditure net of un-allocated income			(287,98.85)			(231,79.20)
Operating Profit			1453,58.52			2016,01.39
Interest expenses			(129,98.43)			(66,76.45)
Interest / dividend income and surplus on disposal of investments (net) (net of provision / write back for diminution in long-term investments and mark down of current investment)			181,71.66			295,70.02
Taxation for the year (including adjustments of previous years)			(306,04.10)			(440,61.00)
Profit after taxation and before exceptional items			1199,27.65			1804,33.96
Exceptional items - income and expenditure (Segment)						
Detergents		(26,03.17)			(48,05.64)	
Personal Products		(39,35.15)			—	
Foods		93,97.54			26,13.08	
Beverages		(18,56.48)			(9,49.30)	
Other Operations		(44,35.42)			(12,20.00)	
			(34,32.68)			(43,61.86)
Exceptional items – income and expenditure (Unallocated / Corporate)			14,01.70			(33,35.00)
– Tax credit (net)			18,37.70			44,42.30
Net Profit			1197,34.37			1771,79.40

Segment Information for the Year Ended 31st December, 2004

Information About Primary Business Segments

Other Information	Segment Assets		Segment Liabilities	
	Rs. lakhs		Rs. lakhs	
	2004	2003	2004	2003
Soaps and Detergents	1484,88.24	1414,70.74	(1208,02.48)	(1252,33.48)
Personal Products	783,99.86	667,48.59	(492,27.44)	(455,18.31)
Beverages	421,18.02	361,57.03	(442,36.18)	(393,79.07)
Foods	110,23.61	136,60.12	(97,13.06)	(82,76.39)
Ice Creams	64,65.03	65,27.36	(65,03.30)	(59,09.59)
Exports	628,71.63	533,30.08	(180,15.41)	(192,98.86)
Other Operations	132,07.03	199,43.31	(68,64.52)	(79,98.62)
Total	3625,73.42	3378,37.23	(2553,62.39)	(2516,14.32)
Unallocated Corporate Assets / Liabilities	3792,19.09	4444,90.71	(2771,59.18)	(3168,41.02)
Total Assets / Liabilities	7417,92.51	7823,27.94	(5325,21.57)	(5684,55.34)

	Capital Expenditure		Depreciation		Non – Cash Expenses other than Depreciation	
	Year 2004	Year 2003	Year 2004	Year 2003	Year 2004	Year 2003
Soaps and Detergents	134,98.63	79,87.47	52,30.15	48,62.82	4,34.13	44,64.55
Personal Products	134,48.39	48,30.33	16,29.88	12,96.65	12,30.24	5,03.90
Beverages	7,45.85	5,04.94	6,06.85	6,42.23	3,71.94	4,02.07
Foods	1,16.56	2,54.37	1,89.15	4,54.75	2,84.37	9,40.84
Ice Creams	85.46	1,48.10	6,23.08	5,36.24	42.75	44.13
Exports	22,04.47	42,53.89	13,92.20	12,52.03	4,96.13	(97.34)
Other Operations	2,53.90	3,73.72	6,28.67	7,74.31	52.70	12,14.63

Segment Information for the Year Ended 31st December, 2004

Information About Secondary Business Segments

	2004 Rs. lakhs	2003 Rs. lakhs
Revenue by Geographical Market		
India	8705,02.64	8943,37.36
Outside India	1330,26.78	1302,09.89
Total	10035,29.42	10245,47.25
Additions to Fixed Assets and Intangible Assets		
India	303,53.26	183,52.82
Outside India	—	—
Total	303,53.26	183,52.82
Carrying Amount of Segment Assets		
India	3607,47.95	3364,07.21
Outside India	18,25.47	14,30.02
Total	3625,73.42	3378,37.23

Notes :

1. Business Segments

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

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

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

The above business segments have been identified considering :

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

Detergents and Personal Products Segment results includes write-back of excess provision of Rs. 33,27.88 lakhs and Rs. 8,31.97 lakhs respectively arising out of Supreme Court decision in respect of legal dispute.

Ice Cream Segment Result includes benefit arising out of early repayment of deferred sales tax liability of Rs. 1,59.66 lakhs (2003 - Rs. 10,93.84 lakhs).

2. Geographical Segments

The geographical segments considered for disclosure are as follows :

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

	2004 Rs. lakhs	2003 Rs. lakhs
3. Revenue comprise		
Sales	9926,94.64	10138,35.32
Income from services rendered (included in Other Income)	106,76.82	88,83.22
Income from property development activity (included in Other Income)	1,57.96	18,28.71
	10035,29.42	10245,47.25

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

Related Party Disclosures

A. Enterprises where control exists

(i) Holding Company :

Unilever PLC

(ii) Subsidiaries :

Lipton India Exports Ltd.
 Indexport Ltd.
 Bon Ltd.
 Nepal Lever Ltd.
 Lever India Exports Ltd.
 Merryweather Food Products Ltd.
 International Fisheries Ltd.
 KICM (Madras) Ltd. (upto August, 2003)[Refer Note 14(ii) of Notes to Profit and Loss Account]
 Modern Food Industries (India) Ltd.
 Daverashola Tea Company Ltd.
 Pond's Exports Ltd.
 Thiashola Tea Company Ltd.
 Indigo Lever Shared Services Ltd.
 Rossell Industries Ltd.
 TOC Disinfectants Ltd.
 Modern Food and Nutrition Industries Ltd.
 Levers Associated Trust Ltd.
 Levindra Trust Ltd.
 Hindlever Trust Ltd.

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

(i) Fellow Subsidiaries :

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

Fellow Subsidiaries : (Contd.)

Unilever Philipines (Prc), Inc.
 PT Unilever Indonesia TBK
 Unilever Thai Holdings Ltd.
 Unilever Thai Trading Ltd.
 Unilever Sanayi ve Ticaret Turk A.S.
 Unilever Home & Personal Care USA
 Lever Maroc S.A.
 Lever Egypt SAE
 Unilever (Shanghai) Co. Ltd.
 Lipton Division, Canada
 Lever Arabia Ltd.
 Lever Brothers Nigeria Ltd.
 Severn Gulf FZE
 Lipton Soft Drinks (Ireland)
 Lever Israel
 Elida P/S, Vietnam
 Thani Mursid Lever LLC, Arabia
 Unilever CR, Czech Republic
 Unilever Polska
 Lever International Marine Supplies (LIMS) BV
 Unilever Gulf Free Zone Establishment, Arabia
 Unilever (China) Limited
 Lever Fattal, Lebanon
 Unilever South Central Europe
 Unilever Baltic LLC
 Unilever Levant, Lebanon
 Unilever Tuketim Urunleri Sat Pazarlama Ticaret A.S.
 Unilever Best Foods, Vietnam
 Unilever SNG, Russia
 Unilever Taiwan Ltd.
 Unilever Ukraine
 Unilever Tuketim Mersin Serbest Bolge Subesi, Turkey
 Unilever Dominicana S.A.
 Elida Faberge Ltd.
 Towells Lever LLC, Arabia
 Binzagr Lever Limited, Arabia
 Hind Lever Chemicals Ltd. (Also an Associate)
 (Upto 31st May, 2004)
 Unilever Industries Pvt. Ltd.
 Digital Securities Pvt. Ltd.
 Lever Faberge France
 Unilever Tanzania Ltd.
 Unilever Cambodia Ltd.
 Lever Faberge Belgium
 Unilever Maghreb Export SA, Tunisia
 Unilever Company Ltd., China
 Unilever UK & CN Holdings, UK
 Lipton Ltd. - UK
 Lever Faberge Europe, Netherlands
 Unilever (Malaysia) Holdings Sdn Berhad
 Lever Ponds South Africa
 Lever Ponds Division, Canada
 Europalma International Insurance Services B.V.
 Fine Tea Co., Egypt
 Lipton US Group
 Unilever Asia Private Ltd.
 Lever Faberge Italia SPA
 Unilever United States Inc.
 Hefei Lever Detergents Co. Ltd., China
 Unilever Korea
 Unilever Vietnam
 Unilever Canada - Foods
 Unilever Algeria
 Unilever Nigeria
 UAL Lever Rexona
 Lipton Ltd. (Head Office) / Lipton Tea Supply Ltd.
 Unilever Market Development SA

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2004 (Contd...)

(ii) Joint Ventures	:	SC Johnson Products Pvt. Ltd. (upto June, 2003) Kimberly - Clark Lever Pvt. Ltd. Quest International India Ltd. Lever Gist Brocades Pvt. Ltd. (upto September, 2003)
(iii) Associate	:	Vashisti Detergents Ltd.
(iv) Key Management Personnel	:	M.S. Banga M.K. Sharma A.S. Abhiraman A. Adhikari S.K. Dhall G. Kapur (upto July, 2004) A.K. Mathur J.H. Mehta S. Ravindranath D. Sehgal G. Singh (upto October, 2003) D. Sundaram A. Weijburg (upto April, 2004)
(v) Employees' Benefit Plans where there is significant influence :	:	Hindustan Lever Gratuity Fund The Union Provident Fund The Hind Lever Provident Fund The Hind Lever Pension Fund Hindustan Lever Limited Employees Superannuation Fund

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2004

		2004	Rs. lakhs 2003
(i) Holding Company	:		
	Dividend paid	437,14.37	1027,20.82
	Royalty paid	51,09.69	54,08.30
	Interest on 9% Debentures	42,91.96	21,63.62
	Debenture Allotment Money received	—	476,88.41
	Income from services rendered	88,25.03	41,73.94
	Outstanding Balances :		
	- Payables at the year end	—	5,23.58
	- Receivables at the year end	9,80.83	—
	- Debentures Interest payable	21,51.69	21,63.62
	- 9% Debentures	476,88.41	476,88.41
(ii) Subsidiaries	:		
	Sale of finished goods / raw materials etc.	42,03.24	44,14.35
	Sale of fixed assets	—	1.15
	Sale of investments	85,49.74	389,27.58
	Interest received on sale of investments	1,40.45	7,78.33
	Royalty received	4,24.18	4,71.82
	Expenses shared by subsidiary companies	12,93.87	12,62.08
	Dividend received	34,15.35	40,13.93
	Interest received	4,37.67	14,49.79
	Processing charges received	29.92	2,75.76
	Rent received	61.80	3.00
	Processing charges paid	18.48	35.75
	Purchase of Fixed Assets	0.92	5.62
	Purchase of goods	51,27.46	53,12.59
	Commission paid	—	3.01
	Purchase of investments	112,17.94	158,18.76
	Interest paid on purchase of investments	1,68.23	2,78.44
	Rent paid	—	3.60
	Investment in equity shares	9,60.01	—
	Deposits - Outstanding receivable at the year end	16,57.00	16,57.00
	Advances and loans :		
	- Receivable at the year end	59,97.14	161,00.96
	- Payables at the year end	16.25	—
	- Provision on receivables	3,00.00	3,00.00
	- Inter Corporate Deposits :		
	- Advanced during the year	14,00.00	28,34.05
	- Repayments during the year	71,70.01	6,20.00

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2004 (Contd...)

(iii)	Fellow Subsidiaries	:	Sale of finished goods / raw materials etc.	527,35.99	541,99.31
			Sale of fixed assets	4.50	—
			Sale of investments	185,93.97	497,16.50
			Interest received on sale of investments	4,44.08	10,87.90
			Royalty received	63.42	68.85
			Dividend received	—	9,47.76
			Rent received	1,10.00	1,10.00
			Interest received	—	79.02
			Income from services rendered	17,11.87	41,76.07
			Expenses shared by a fellow subsidiary	6.00	6,39.62
			Processing charges paid	18,72.92	39,99.68
			Purchase of goods	70,55.93	94,28.68
			Purchase of fixed assets	—	2,02.89
			Purchase of investments	169,88.85	413,64.07
			Interest paid on purchase of investments	3,54.53	9,30.96
			Dividend paid	187,02.35	439,47.13
			Royalty paid	1,55.00	1,55.00
			Interest on 9% Debentures	18,36.23	9,25.66
			Debenture Allotment Money received	—	204,02.56
			9% Debentures Outstanding	204,02.56	204,02.56
			Advances and loans :		
			- Receivables	132,79.09	132,39.22
			- Payables	12,62.01	13,80.53
			- Debenture interest payable	9,20.56	9,25.66
(iv)	Joint Ventures	:	Purchase of goods	97,61.40	81,07.91
			Sale of finished goods / raw materials etc.	2.96	34.97
			Other income	1,66.86	—
			Advances and loans		
			- Receivables	20.59	3,19.29
(v)	Associate		- Payables	59.95	69.05
		:	Processing charges paid	14,60.85	25,88.33
			Outstanding Payable at the year end	7.11	6,40.74
(vi)	Key Management Personnel		Sale of goods	3,97.57	15,01.83
		:	Remuneration	12,40.69	14,69.32
			Rent Paid	64.79	47.63
			Dividend Paid	8.49	24.62
			Sale of Fixed Assets	—	5.11
			Interest on 9% Debentures	0.70	0.51
			Debenture Allotment Money received	—	11.43
			9% Debentures Outstanding	7.47	11.43
			Debenture Interest Payable	0.34	0.51
			Advances and Progress Payments – Property Development Activity		
			- Sale of Flat	—	1,96.85
			- Received during the year	—	96.79
			Loans		
			- Outstanding at the year end	0.10	27.30
			- Advanced during the year	—	9.30
			- Repayments (including interest) during the year	27.20	5,14.82
(vii)	Employees' Benefit Plans where there is significant influence	:	Contributions during the year	39,85.07	48,71.16
			Outstanding receivables at the year end	16,94.59	20,39.52

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2004 (Contd...)

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

	2004	Rs. lakhs 2003
Sale of finished goods / raw materials etc.		
Unilever Gulf Free Zone Establishment	216,53.94	224,83.31
Sale of fixed assets		
Lever Brothers Bangladesh Ltd.	4.50	—
Nepal Lever Ltd.	—	1.15
M.K.Sharma	—	5.11
Sale of investments		
Lever India Exports Ltd.	67,44.67	254,66.54
Hind Lever Chemicals Ltd.	173,90.05	449,27.26
Indexport Ltd.	—	99,89.35
Interest received on sale of investments		
Indexport Ltd.	59.30	1,94.48
Lever India Exports Ltd.	77.19	5,03.04
Hind Lever Chemicals Ltd.	4,04.47	9,34.68
Royalty received		
Indexport Ltd.	4,24.18	4,70.50
Lever Egypt SAE	63.42	68.85
Expenses shared by subsidiary companies / fellow subsidiary companies		
Indexport Ltd.	10,34.46	9,09.59
Hind Lever Chemicals Ltd.	—	6,33.62
Dividend received		
Lever India Exports Ltd.	29,55.00	36,00.00
Nepal Lever Ltd.	4,60.35	—
Hind Lever Chemicals Ltd.	—	9,47.76
Interest received		
Modern Food Industries (India) Ltd.	1,93.67	5,92.33
Rossell Industries Ltd.	1,34.25	4,67.97
Pond's Exports Ltd.	70.72	—
Indexport Ltd.	—	1,63.93
Processing charges received		
Indexport Ltd.	29.92	1,39.46
Bon Ltd.	—	1,36.30
Rent received		
Unilever Industries Pvt. Ltd.	1,10.00	1,10.00
Indexport Ltd.	54.00	—
Processing charges paid		
Vashisti Detergents Ltd.	14,60.85	25,88.33
Hind Lever Chemicals Ltd.	18,72.92	39,96.45
Purchase of fixed assets		
Merryweather Food Products Ltd.	0.92	—
Unilever Singapore Pte Ltd.	—	47.15
BBL Japan K.K.	—	44.57
Unilever (China) Limited	—	1,11.17
Purchase of goods		
TOC Disinfectants Ltd.	23,12.53	—
Hind Lever Chemicals Ltd.	—	55,83.31
Kimberly - Clark Lever Pvt. Ltd.	81,75.28	66,85.45
Lipton Ltd.	28,08.59	—
Commission paid		
Modern Food Industries (India) Ltd.	—	3.01
Purchase of investments		
Lever India Exports Ltd.	72,30.23	64,70.18
Hind Lever Chemicals Ltd.	133,64.05	378,73.95
Unilever Industries Pvt. Ltd.	29,58.31	—
Indexport Ltd.	—	79,69.24
Interest paid on purchase of investments		
Hind Lever Chemicals Ltd.	3,16.65	8,50.65
Lever India Exports Ltd.	1,11.95	—
Indexport Ltd.	—	1,52.32
Rent paid		
M.S. Banga	18.92	18.92
M.K. Sharma	22.50	8.60
S. Ravindranath	—	5.97

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2004 (Contd...)

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

Investment in equity shares		
Pond's Exports Ltd.	9,60.01	—
Deposits outstanding receivable at the year end		
Indexport Ltd.	16,57.00	16,57.00
Advances and loans advanced during the year		
M.S. Banga	—	3.07
M.K. Sharma	—	3.20
D. Sundaram	—	1.86
G. Kapur	—	1.17
Repayments (including interest) during the year		
M. K.Sharma	26.92	1,44.14
M. S.Banga	—	1,72.91
G. Kapur	—	99.46
D. Sundaram	—	97.47
Inter corporate deposits - advanced during the year		
Modern Food Industries (India) Ltd.	8,00.00	25,10.00
Indexport Ltd.	2,00.00	—
Indigo Lever Shared Services Ltd.	4,00.00	—
Inter corporate deposits - repayments during the year		
Modern Food Industries (India) Ltd.	57,60.00	6,00.00
Pond's Exports Ltd.	9,60.01	—
Other income		
Kimberly - Clark Lever Pvt. Ltd.	1,66.86	—
Dividend paid		
Unilever PLC	437,14.37	1027,20.82
Royalty paid		
Unilever PLC	51,09.69	54,08.30
Interest on 9% Debentures		
Unilever PLC	42,91.96	21,63.62
Debenture allotment money received		
Unilever PLC	—	476,88.41
9% Debentures outstanding		
Unilever PLC	476,88.41	476,88.41
Outstanding balances - payables at the year end		
Vashisti Detergents Ltd.	—	6,40.74
Lever Faberge Deutschland GmbH	2,06.12	—
Lipton Ltd.	3,49.46	—
Unilever U.K.Central Resources Ltd.	2,08.03	—
Unilever N.V.	2,02.82	—
Outstanding balances - receivables at the year end		
Unilever Gulf Free Zone Establishment	42,33.23	35,52.50
Modern Food and Nutrition Industries Ltd.	—	56,07.67
Rossell Industries Ltd.	—	54,84.19
Outstanding balances - provision on receivables		
International Fisheries Ltd.	3,00.00	3,00.00
Income from services rendered		
Unilever PLC	88,25.03	41,73.94
Unilever Industries Pvt. Ltd.	15,45.98	11,15.95
Unilever U.K.Central Resources Ltd.	—	25,95.41
Outstanding balances - debenture interest payable		
Unilever PLC	21,51.69	21,63.62
Remuneration		
M.S. Banga	—	2,46.59
M.K. Sharma	1,64.01	1,49.11
A. Adhikari	1,31.41	—
S. Ravindranath	1,41.61	—
D. Sundaram	1,41.18	—
Advances and progress payments - property development activity		
- Sale of flat		
M.K. Sharma	—	1,96.85
- Received during the year		
M.K. Sharma	—	96.79
Contributions during the year		
The Union Provident Fund	5,52.70	5,28.33
Hindustan Lever Gratuity Fund	10,14.97	15,25.50
The Hind Lever Pension Fund	12,53.61	10,58.09
The Hind Lever Provident Fund	10,23.44	—
Hindustan Lever Limited Employees Superannuation Fund	—	13,04.30

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

I. REGISTRATION DETAILS		IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)	
Registration No.	11-2030	Turnover (Total Income)	102457802
State Code	11	Total Expenditure	(87404627)
Balance Sheet Date	31.12.2004	Profit/(Loss) Before Tax and Exceptional Items	15053175
II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)		Profit/(Loss) After Tax and Exceptional Items	11973437
Public Issue	NIL	Earnings Per Share (in Rs.)	5.44
Rights Issue	NIL	Dividend Rate (%)	500
Bonus Issue	NIL	V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)	
Private Placement	NIL	Item Code No. (ITC Code)	34.01
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)		Product Description	SOAP
Total Liabilities	74179252	Item Code No. (ITC Code)	34.02
Total Assets	74179252	Product Description	DETERGENTS
SOURCES OF FUNDS		Item Code No. (ITC Code)	09.02
Paid-up Capital	2201244	Product Description	TEA
Reserves and Surplus	18725851		
Secured Loans	14530578		
Unsecured Loans	180567		
APPLICATION OF FUNDS			
Net Fixed Assets	15175606		
Investments	22295627		
Net Current Assets	(4092998)		
Deferred Tax	2260005		
Miscellaneous Expenditure	NIL		
Accumulated Losses	NIL		

Report of the Auditors to the Shareholders

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

Thomas Mathew
Partner
Membership No. 50087
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Hindustan Lever Limited on the financial statements for the year ended 31st December, 2004]

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

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

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, service tax and cess which have not been deposited on account of any dispute. The particulars of excise duty, sales tax, customs duty and income-tax as at 31st December, 2004 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount under dispute not yet deposited Rs. Lakhs	Periods to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	15,20.10	1993 to 2003	Appellate Authority – upto Commissioner's level
		18,09.71	1997 to 2003	Tribunal
		61.38	1989	High Court
		22.54	1979 to 1983	Supreme Court
Central Sales Tax Act and Local Sales Tax Acts (including works contract)	Sales tax including interest and penalty, as applicable	107,50.67	1975, 1976, 1984 to 2004	Appellate Authority – upto Commissioner's level
		45,22.35	1982 to 2004	Tribunal
		60,03.41	1983 to 1985, 1987 to 1995, 1997 to 2001	High Courts
Customs Act, 1962	Customs duty including interest and penalty, as applicable	3,22.44	1997 to 1999	Appellate Authority – upto Commissioner's level
		7.44	1994	Tribunal
Income-tax Act, 1961	Income tax including interest and penalty, as applicable	4,38.79	1979-80 to 1995-96	Appellate Authority – upto Commissioner's level
		1,07.59	1985-86 to 1991-92	Tribunal
		31.55	1988-89	High Court

10. The Company has no accumulated losses as at 31st December, 2004 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.

16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. Pursuant to the Scheme of Arrangement between the Company and its members, the Company had issued 9% secured redeemable bonus debentures of Rs. 6 each amounting to Rs. 1320,74.63 lakhs during the previous year. According to the information and explanations given to us, as per the terms of the Scheme, the Company is not required to create the debenture redemption reserve and has set apart funds in approved investments, equivalent to the redemption value of the debentures. The Company has since redeemed the debentures in full.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud by the Company, noticed or reported during the year, nor have we been informed of any such case by the management. *Fraud on the Company amounting to Rs. 4,45 lakhs through misappropriation of assets by a temporary ex-employee was noticed and reported.* Out of the Rs. 4,45 lakhs, we have been informed that an amount of Rs. 4,41 lakhs has been recovered and is lying in a frozen bank account which would be released after completion of legal formalities.

Thomas Mathew
Partner
Membership No. 50087
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Additional Information : Economic Value Added (EVA)

What is EVA?

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

*EVA = Net Operating Profit after Taxes (NOPAT) - Cost of Capital Employed (COCE), where ,

NOPAT = Profits after depreciation and taxes but before interest costs. NOPAT thus represents the total pool of profits available on an ungeared basis to provide a return to lenders and shareholders, and

COCE = Weighted Average Cost of Capital (WACC) (x) Average Capital Employed.

*Cost of debt is taken at the effective rate of interest applicable to an "AAA" rated company like HLL with an appropriate mix of short, medium and long term debt, net of taxes. We have considered a pre-tax rate of 8.2% for 2004 (7.6% for 2003) after taking into account the trends over the years and market situations.

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

Cost of equity = Risk-free return equivalent to yield on long term Government bonds (taken at 5.86% for 2004)

(+)

Market-risk premium (taken at 9%) (x) Beta variant for the Company, (taken at 0.99) where the Beta is a relative measure of risk associated with the Company's shares as against the market as a whole.

Thus HLL's cost of equity = 5.86% + 9% (x) 0.99 = 14.77%

What does EVA show?

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

When will EVA increase?

EVA will increase if :

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

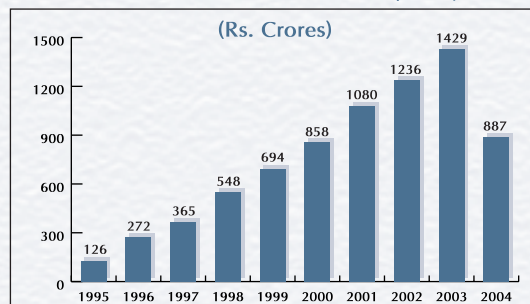
EVA in practice at Hindustan Lever Ltd.

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

EVA Trends : 1995-2004 (Unaudited)

(Rs. crores)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cost of Capital Employed (COCE)										
1 Average Debt	110	156	160	165	162	93	50	45	881	1588
2 Average Equity	588	815	1127	1487	1908	2296	2766	3351	2899	2116
3 Average Capital Employed : (1) + (2)	698	971	1287	1652	2070	2389	2816	3396	3780	3704
4 Cost of Debt, post-tax %	7.56	7.88	8.82	9.10	8.61	8.46	7.72	6.45	4.88	5.19
5 Cost of Equity %	19.70	19.70	19.70	19.70	19.70	19.70	16.70	14.40	12.95	14.77
6 Weighted Average Cost of Capital % (WACC)	17.79	17.80	18.34	18.64	18.83	19.27	16.54	14.30	11.07	10.66
7 COCE : (3) x (6)	124	173	236	308	390	460	466	486	418	395
Economic Value Added (EVA)										
8 Profit after tax, before exceptional items	239	413	580	837	1070	1310	1541	1716	1804	1199
9 Add : Interest, after taxes	11	32	21	19	14	8	5	6	43	82
10 Net Operating Profits After Taxes (NOPAT)	250	445	601	856	1084	1318	1546	1722	1847	1281
11 COCE, as per (7) above	(124)	(173)	(236)	(308)	(390)	(460)	(466)	(486)	(418)	(395)
12 EVA : (10) - (11)	126	272	365	548	694	858	1080	1236	1429	887

Economic Value Added (EVA)



Significant Accounting Policies

Basis for preparation of accounts

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

Revenue Recognition

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

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

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

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

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

Expenditure

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

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

Goodwill and other Intangible Assets

Goodwill and other Intangible Assets are amortised over the assets' useful life not exceeding ten years. Goodwill arising on consolidation in accordance with AS-21 is amortised over 4 years at quarterly rests commencing from the quarter of recognition of goodwill.

Fixed Assets

Fixed assets are stated at cost less depreciation except in the case of certain Land and Development in the Tea Estates Division and Land, Buildings and Plant and Machinery in Rossell Industries Limited are shown at revalued amount. In Tea/Coffee estates, the cost of extension planting of cultivable land including cost of development is capitalised.

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

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

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

Investments

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

Interests in Joint Ventures

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

Inventories

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

Sundry Debtors and Loans and Advances

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

Retirement / Post Retirement Benefits

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

Taxes on Income

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

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

Foreign Currency Translations

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

Segment Reporting

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

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

Profit and Loss Account for the year ended 31st December, 2004

Figures in brackets represent deductions

	Notes	2004 Rs. lakhs	2003 Rs. lakhs
INCOME			
Sales	1	10598,20.01	10836,94.78
Other income	2	303,61.07	431,82.47
Total		10901,81.08	11268,77.25
EXPENDITURE			
Operating expenses	3-5	(9108,06.71)	(8840,83.32)
Depreciation (net of transfer from revaluation reserve Rs. 81.28 lakhs - 2003 Rs. 94.95 lakhs)		(195,67.95)	(199,98.69)
Interest	6	(136,24.94)	(69,11.76)
Total		(9439,99.60)	(9109,93.77)
PROFIT BEFORE TAXATION, EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES' PROFITS		1461,81.48	2158,83.48
Taxation for the year - current tax	9	(284,23.66)	(443,96.12)
- deferred tax		(51,06.50)	(62,51.93)
- adjustments of previous years (net)	20	13,99.33	47,99.50
PROFIT AFTER TAXATION, BEFORE EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES' PROFITS		1140,50.65	1700,34.93
Exceptional items (net of tax)	13	60,80.71	(24,49.93)
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE SHARE OF ASSOCIATES' PROFITS		1201,31.36	1675,85.00
Share of Associates' net profit		4,89.32	2,47.02
PROFIT BEFORE MINORITY INTERESTS		1206,20.68	1678,32.02
Minority Interests		2,19.26	9,02.08
NET PROFIT		1208,39.94	1687,34.10
Balance brought forward		670,46.49	1048,03.99
Profit and Loss of Joint Ventures and Associates on initial adoption		—	92,90.09
Available for distribution		1878,86.43	2828,28.18
Dividends :			
Dividends for 2002			
Final Rs. 2.659 per share declared on 13th June, 2003		—	585,31.07
Tax on distributed profits		—	75,06.24
		—	660,37.31
Less : Final Dividend as proposed in previous year		—	(660,37.31)
On equity shares :			
Interim - Rs. 2.50 per share - declared on 29th July, 2004		(550,31.09)	(550,31.09)
Special Dividend - Rs. 1.765 per share		—	(388,51.95)
Final - Rs. 2.50 per share proposed		(550,31.09)	(660,37.31)
Tax on distributed profits (2004 - includes Rs. 169.22 lakhs educational cess on final dividend for 2003)		(150,54.63)	(376,83.34)
Transfer to General Reserve		(129,25.00)	(181,78.00)
Balance carried forward		498,44.62	670,46.49
Earnings Per Share (Rs.) - Basic & Diluted (Face value of Re.1 each)	17	5.49	7.67

For notes, statements, additional information, segment information,
related party disclosures and accounting policies
See pages : F37, F41, F42 and F53 to F59

In terms of our report of even date

Thomas Mathew
Partner
Membership No. 50087

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Signatures to pages : F37, F38, F41, F42,
and F53 to F59

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

Mumbai : 11th February, 2005

Balance Sheet as at 31st December, 2004

Figures in brackets represent deductions

	Schedule	2004 Rs. lakhs	2003 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	220,12.44	220,12.44
Reserves and surplus	2	1917,89.29	1955,89.31
		2138,01.73	2176,01.75
Minority Interests		10,65.30	13,22.16
Loan funds			
Secured loans	3	1467,38.09	1610,80.65
Unsecured loans	4	136,87.32	104,37.44
		1604,25.41	1715,18.09
		3752,92.44	3904,42.00
APPLICATION OF FUNDS			
Fixed assets			
Gross block		2825,15.48	2675,89.23
Depreciation		(1219,55.92)	(1117,94.77)
Net block	5	1605,59.56	1557,94.46
Capital work-in-progress		104,08.76	75,60.38
		1709,68.32	1633,54.84
Investments	6	2200,15.28	2478,39.71
Deferred Tax			
Deferred Tax Assets	7	374,79.47	381,95.64
Deferred Tax Liabilities	8	(147,70.98)	(115,56.93)
		227,08.49	266,38.71
Current assets, loans and advances			
Inventories	9	1558,82.76	1489,83.04
Sundry debtors	10	569,40.98	527,04.09
Cash and bank balances	11	781,52.79	892,39.67
Other current assets	12	51,04.60	72,37.09
Loans and advances	13	571,13.33	629,15.41
		3531,94.46	3610,79.30
Current liabilities and provisions			
Liabilities	14	(2746,08.99)	(2721,46.55)
Provisions	15	(1169,85.12)	(1363,24.01)
		(3915,94.11)	(4084,70.56)
Net current assets		(383,99.65)	(473,91.26)
		3752,92.44	3904,42.00

For schedules, contingent liabilities, additional information, segment information, related party disclosures and accounting policies
See pages : F37, F43 to F51, F53 and F59

In terms of our report of even date

Thomas Mathew
Partner
Membership No. 50087

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Signatures to pages : F37, F39, F43 to F51,
and F53 and F59

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

Mumbai : 11th February, 2005

Cash Flow Statement for the year ended 31st December, 2004

		2004 Rs. lakhs	2003 Rs. lakhs
A. Cash Flow from Operating Activities :			
Profit before taxation and exceptional items		1461,81.48	2158,83.48
Adjustments for :			
Depreciation	195,67.95		199,98.69
Foreign Exchange	(1.60)		7.41
Loss / (Gain) on sale of fixed assets held for disposal	(18.96)		2,63.43
Surplus on disposal of investments (net)	(24,87.72)		(60,10.11)
Surplus on disposal of Joint Ventures	—		(5,25.54)
(Reversal of provision) / Provision for diminution in value of investments and excess of cost over fair value of current investments (net)	(1,22.13)		90.28
Deficit / (Surplus) on fixed assets sold, scrapped, etc. (net)	24,44.59		(11,30.88)
Provision for losses on disposal of fixed assets	(37,09.74)		1,21.64
Interest income	(96,55.60)		(136,17.26)
Dividend income	(29,97.94)		(39,76.93)
Interest expenditure	136,24.94		69,11.76
		166,43.79	21,32.49
Operating Profit before Working Capital Changes		1628,25.27	2180,15.97
Adjustments for :			
Trade and Other Receivables	32,52.96		13,55.94
Inventories	(81,52.19)		(149,97.31)
Trade Payables and Other Liabilities	(55,57.37)		39,50.28
		(104,56.60)	(96,91.09)
Cash generated from operations		1523,68.67	2083,24.88
Income Taxes paid (net of refunds)		(251,01.93)	(423,07.10)
Cash flow before exceptional items		1272,66.74	1660,17.78
Purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees		—	(57,18.20)
Compensation under Voluntary Separation Schemes		(43,86.29)	(24,89.18)
Payment made in respect of ice cream restructuring included in exceptional items		(2,28.75)	(3,94.83)
Net Cash from Operating Activities	A	1226,51.70	1574,15.57
B. Cash Flow from Investing Activities :			
Purchase of fixed assets	(338,49.27)		(240,38.11)
Sale proceeds of land included in exceptional items	94,85.19		—
Sale of fixed assets	45,58.30		44,55.97
Capital subsidy received	4.50		9.00
Purchase of investments	(8542,73.80)		(11100,64.33)
Consideration paid on acquisition of shares in existing subsidiary	(2,48.73)		(62.59)
Sale of investments	8873,32.65		10929,10.81
Sale of Interest in Joint Ventures	—		6,73.58
Consideration received on sale of Businesses (Note 2)	—		85,16.62
Interest received	107,24.31		127,23.03
Dividend received	29,97.94		39,76.93
Dividend received - from Associate	—		9,47.76
Net Cash used in Investing Activities	B	267,31.09	(99,51.33)
C. Cash Flow from Financing Activities :			
Dividends paid (including bonus debentures in 2003)	(1209,67.97)		(2840,99.34)
Tax on distributed profits	(163,23.78)		(367,28.55)
Interest paid	(131,54.07)		(3,11.32)
Bank overdrafts (net)	17,60.90		24,83.19
Proceeds from borrowings	781,09.25		564,09.64
Proceeds from debentures	—		1320,74.63
Repayments of borrowings	(898,95.60)		(280,72.00)
Net Cash used in Financing Activities	C	(1604,71.27)	(1582,43.75)
Net Increase /(Decrease) in Cash and Cash equivalents	(A+B+C)	(110,88.48)	(107,79.51)
Cash and Cash equivalents as at 1st January		892,41.71	977,22.84
(Opening Balance)			
Cash and Cash equivalents on initial adoption of Joint Ventures - refer 21 (b) of schedules to balance sheet		—	22,98.38
Cash and Cash equivalents as at 31st December		781,53.23	892,41.71
(Closing Balance)			

For notes

See page : F52

In terms of our report of even date

Thomas Mathew
Partner

Membership No. 50087

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Signatures to pages : F40 and F52

M. K. Sharma

D. Sundaram

Raju Thomas

Ashok Gupta

Vice Chairman

Finance Director

Vice President - Finance

Company Secretary

Mumbai : 11th February, 2005

Notes to Profit and Loss Account

	2004 Rs. lakhs	2003 Rs. lakhs
INCOME		
1. Sales	11475,30.42	11779,56.62
Less : Excise duty	(969,81.93)	(972,76.43)
	10505,48.49	10806,80.19
Share of Joint Ventures - schedule 21 (b)	92,71.52	30,14.59
	10598,20.01	10836,94.78
Sales include duty drawback and licence premium on exports	17,25.80	24,03.58
2. Other income		
Income from services rendered	116,35.75	87,99.19
Income from property development activity	2,98.71	21,32.94
Interest received-bank and other accounts (gross)	40,51.06	69,71.11
Interest received-non trade (gross) (Note 7)	53,26.06	64,21.44
Dividend income - trade - long-term (gross)	11,20.30	63.91
Dividend income - non trade - long-term (gross)	27.89	11.10
Dividend income - non trade - current (gross)	18,47.35	38,93.82
Surplus on disposal of Joint Ventures	—	5,25.54
Surplus on disposal of investments (net) (Note 8)	24,87.72	60,10.11
Surplus on fixed assets sold etc. (net)	—	11,39.07
Miscellaneous income	32,17.14	69,28.82
	300,11.98	428,97.05
Share of Joint Ventures - schedule 21 (b)	3,49.09	2,85.42
	303,61.07	431,82.47
OPERATING EXPENSES		
3. Materials consumed and Purchase of goods		
Raw materials consumed	3351,35.55	3500,21.07
Packing materials consumed	832,13.24	807,44.73
Purchase of goods	1485,66.64	1445,65.65
4. General expenditure		
Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	562,79.20	550,86.89
Contribution to provident and other funds	38,17.80	54,26.15
Workmen and staff welfare expenses	43,83.51	45,17.91
Processing charges	166,22.58	157,96.39
Consumption of stores and spare parts	62,09.79	54,43.26
Repairs and maintenance	18,05.94	14,93.39
- Buildings	51,88.02	52,77.33
- Plant	7,62.29	9,84.92
- Others	179,85.81	184,05.04
Power, light, fuel and water	42,89.29	72,67.54
Rent (Note 16)	135,20.43	106,93.75
Rates and taxes	8,85.52	8,05.57
Insurance	867,07.65	788,96.61
Advertising and sales promotion	520,14.26	486,02.30
Carriage and freight	12,07.92	13,71.44
Agents' commission and brokerage	(10,69.01)	24,30.30
Provision / (write back) for doubtful debts and advances (net)	122,55.16	114,97.08
Travelling and motor car expenses	24,28.47	—
Deficit on fixed assets sold, scrapped, etc. (net)	452,78.98	398,06.01
Miscellaneous expenses (Note 12)	—	(6,33.62)
Expenses shared by the erstwhile subsidiary company for use of common facilities	—	—
5. Stocks		
Opening stocks :		
- Work-in-progress	62,12.57	50,70.90
- Processed chemicals	1,71.50	5,84.76
- Finished goods	693,32.69	599,06.40
Adjustment to stocks :		
- As at 29th August, 2003, of Edible Oils and Fats business [Note 14 (i)]	—	(18,21.16)
- As at 18th June, 2004, of Mushroom business [Note 14 (ii)]	(82.86)	—
Closing stocks :		
- Work-in-progress	(48,95.90)	(62,12.57)
- Processed chemicals	(1,09.07)	(1,71.50)
- Finished goods	(623,88.02)	(693,32.69)
Excise Duty on Increase / (Decrease) of Finished goods	(21,75.04)	18,20.98
	9035,54.91	8783,44.83
Share of Joint Ventures - schedule 21 (b)	72,51.80	57,38.49
	9108,06.71	8840,83.32
6. Interest paid on bank and other accounts Rs. 17,37.61 lakhs (2003 - Rs. 9,16.15 lakhs) and on debentures Rs. 118,86.24 lakhs (2003 - Rs. 59,92.21 lakhs) and the share of Joint Ventures Rs. 1.09 lakhs (2003 - Rs. 3.40 lakhs).		
7. Interest received - non trade (gross) comprises of Rs.25,63.91 lakhs (2003 - Rs. 26,32.92 lakhs) and Rs. 27,62.15 lakhs (2003 - Rs. 37,88.52 lakhs) in respect of long-term and current investments respectively.		
8. Surplus on disposal of investments (net) comprises of :		
- a profit on disposal of current investments (net) Rs. 22,15.40 lakhs (2003 - Rs. 52,66.85 lakhs)		
- a profit on disposal of long-term investments (net) Rs. 2,72.32 lakhs (2003 - Rs. 7,43.26 lakhs).		
9. The tax year for the companies incorporated in India being the year ending 31st March, the provision for taxation for the year of these companies is the aggregate of the provision made for the three months ended 31st March, 2004 and the provision based on the figures for the remaining nine months up to 31st December, 2004, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2004 to 31st March, 2005. The tax year for Nepal Lever Limited is the year ending 15th July.		
10. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled/appropriate rates applicable at the year end) debited to the Profit and Loss Account is Rs. 8,74.39 lakhs (2003 - Credit of Rs. 5,57.88 lakhs)		
11. Operating expenses include		
Research and Development expenses	37,11.34	32,20.75

Notes to Profit and Loss Account

		2004 Rs. lakhs	2003 Rs. lakhs
12.	Miscellaneous expenses :		
i)	is net of credit on reversal / write back of provision for estimated losses on disposal of fixed assets rendered surplus Rs. 37,09.74 lakhs (net) (2003 - charge of Rs. 1,21.64 lakhs)		
ii)	includes provision on diminution in value of long-term investments Rs. 7.02 lakhs (2003 - Rs. 0.90 lakh (net)).		
iii)	is net of credit on reversal of charge in respect of excess of cost over fair value of current investments (net) Rs. 1,29.54 lakhs [2003 - charge of Rs. 89.38 lakhs (net)].		
13.	Exceptional items :		
i)	Reduction in Hindustan Lever Limited's liability for retirement and other employee benefits, arising out of decrease in annuity rates announced by Life Insurance Corporation of India, effective December 2004	69,10.00	—
ii)	Reduction in Hindustan Lever Limited's liability consequent to purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees	—	48,20.00
iii)	Profit arising out of disposal of land	94,85.19	—
iv)	Profit arising out of disposal a long-term investment	21,37.34	—
v)	Profit arising out of disposal of Edible Oil and Fats business (Refer Note 14 (i) below)	—	56,20.30
	Total exceptional income	185,32.53	104,40.30
vi)	Provision for loss arising out of disposal of Mushroom undertaking (Refer Note 14 (ii) below)	(3,01.17)	(10,61.19)
vii)	Exit costs incurred in relation to discontinued Confectionery business	(30,45.00)	—
viii)	Restructuring costs across businesses comprising :		
a)	Provision for estimated loss on fixed assets rendered surplus.	(18,38.67)	(45,49.68)
b)	Loss on fixed assets held for disposal	—	(8,56.50)
c)	Compensation under Voluntary Separation Schemes	(75,84.68)	(37,26.16)
d)	Other costs	(15,20.00)	(8,99.00)
ix)	Provision for additional liability for retirement / post retirement and other employee benefits, mainly arising out of increase in annuity rates announced by Life Insurance Corporation of India effective November 2003.	—	(62,50.00)
	Total exceptional expenditure	(142,89.52)	(173,42.53)
	Net	42,43.01	(69,02.23)
	Taxation on the above	5,07.97	(14,06.89)
	- Credit / (Charge) on current tax	13,29.73	58,59.19
	- Credit on deferred tax	—	—
	Total tax credit (net)	18,37.70	44,52.30
	Exceptional items (net of tax)	60,80.71	(24,49.93)
14.	i) Edible Oil and Fats business (ODF) was sold to Bunge Agribusiness India Pvt. Ltd. effective 29th August, 2003.		
	ii) As per the Memorandum of Understanding, Hindustan Lever Limited has transferred the equity shares and debentures held in KICM (Madras) Limited, a wholly owned subsidiary to a third party during the year.		
	iii) In view of the above, the previous year figures are to that extent not comparable.		
15.	The cost of property development activity including movements in work-in-progress are as under :		
	Property Development Activity - Work-in-progress as at 1st January	88.07	14,31.92
	Add :		
	Construction cost	—	1,21.53
	Power, light, fuel and water	—	19.74
	Rates and taxes - others	—	3.21
	Miscellaneous expenses	5.07	15.92
		5.07	1,60.40
		93.14	15,92.32
	Less :		
	Amount of Property Capitalised	—	5,42.55
	Property Development Activity - Work-in-progress as at 31st December	48.47	88.07
	Cost of property sold, included in miscellaneous expenses	44.67	9,61.70
16.	Rent is net of write back of provision made in earlier years arising out of Supreme Court decision in respect of a legal dispute Rs. 41,59.85 lakhs (2003 - Rs. Nil)		
17.	Earnings Per Share has been computed as under :		
	Net Profit (Rs. lakhs)	1208,39.94	1687,34.10
	Weighted average number of Equity shares outstanding	2,20,12,43,793	2,20,12,43,793
	Earnings Per Share (Rs.) - Basic and Diluted (Face value of Re.1 per share)	5.49	7.67
18.	The significant leasing arrangements of the Companies in the Group are in respect of operating leases for premises (residential, office, stores, godown etc.) and computers. These leasing arrangements which are not non-cancellable range between 11 months and 10 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under note 4 to profit and loss account.		
19.	The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements", Accounting Standard 23 (AS 23) - "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS 27) - "Financial Reporting of Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India. Refer Schedule 21 to the Balance sheet.		
20.	Taxation adjustments of previous years include interest, etc.		
21.	During the year, Hindustan Lever Limited has utilised provision made in an earlier year for restructuring of the ice cream business as follows :		
		2004 Rs. lakhs	2003 Rs. lakhs
	Fixed assets write off	—	1,07.89
	Raw / Packing materials	0.61	38.52
	Other items	2,28.14	3,94.83
		2,28.75	5,41.24
22.	During the year, the Group has revised downwards, the estimated useful life of motor vehicles to six years. Hitherto, such assets were being depreciated at the rates mentioned in Schedule XIV of the Companies Act, 1956. Consequently, there is an additional depreciation charge with a corresponding reduction in the profit for the year, the amount of which is not material.		
23.	Goodwill and other intangibles, amortised over a period of twenty years by Quest International Limited is now being amortised over its useful life not exceeding a period of ten years, the impact of which is not material.		
24.	The previous year's figures have been regrouped / restated wherever necessary to conform to this year's classification.		

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs
1. CAPITAL		
Authorised		
2,25,00,00,000 equity shares of Re. 1 each	225,00.00	225,00.00
Issued and subscribed		
2,20,12,43,793 equity shares of Re. 1 each fully called and paid up	220,12.44	220,12.44
Of the above shares		
(i) 1,13,48,49,460 Shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 shares of Re. 1 each held by Unilever PLC.		
(ii) 79,19,31,203 Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash.		
(iii) 1,31,68,54,620 Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.		
	220,12.44	220,12.44

Hindustan Lever Limited has granted share options under its Employees' Stock Option Scheme and share options outstanding as at 31st December, 2004 are 1,06,48,225 (2003 - 95,07,473). Of these 21,99,200 (2003 - 22,79,800) options have vested in 2004 - 29,15,285 (2003 - 30,40,188) will vest in 2005, 39,59,390 in 2006 (2003 - 41,87,485) and 15,74,350 in 2007 (2003 - Nil).

Also see Schedule 17

2. RESERVES AND SURPLUS

	As at 31st December, 2003	Adjustments (b)	Additions	Deductions	As at 31st December, 2004
CAPITAL RESERVES					
Capital Reserve	3,53.46	—	70.88	—	4,24.34
Capital Subsidy	3,26.16	—	4.50	—	3,30.66
Capital Redemption Reserve	1,15.00	—	—	—	1,15.00
Share Premium Account	263,26.13	—	—	—	263,26.13
Revaluation Reserve	28,15.68	—	—	(e) (50.57)	27,65.11
Other Reserves (d)	2,51.05	—	—	—	2,51.05
Employee Stock Options (f)	2,05.87	—	2,03.80	—	4,09.67
Total Capital Reserves	303,93.35	—	2,79.18	(50.57)	306,21.96
REVENUE RESERVES					
Export Profit Reserve	12,26.40	—	—	—	12,26.40
Development Allowance Reserve	26.72	—	—	—	26.72
General Reserve	968,96.35	—	(a) 129,25.00	(g) 2,48.24	1100,69.59
Total Revenue Reserves	981,49.47	—	129,25.00	2,48.24	1113,22.71
PROFIT AND LOSS ACCOUNT BALANCE	670,46.49	—	(a) 498,44.62	(c) (670,46.49)	498,44.62
TOTAL RESERVES - 31st December, 2004	1955,89.31	—	630,48.80	(668,48.82)	(h) 1917,89.29
TOTAL RESERVES - 31st December, 2003	3470,91.82	92,90.09	852,33.49	(2460,26.09)	(h) 1955,89.31

(a) Transfer from profit and loss account.

(b) Represents increase in Reserves as at 1st January, 2003 arising on the initial adoption of Accounting Standard 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 - "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

(c) Transfer to profit and loss account.

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

(e) Excluding share of Minority Interests of Rs. 32.16 lakhs.

(f) In respect of options granted under the Hindustan Lever Limited's stock option scheme, in accordance with guidelines issued by Securities and Exchange Board of India, the accounting value of options (based on market price of the share on the date of the grant of the option) is accounted as deferred employee compensation, which is amortised on a straight line basis over the vesting period. Consequently salaries, wages, bonus, etc. includes Rs. 2,03.80 lakhs (2003 - Rs. 2,05.87 Lakhs) being amortisation of deferred employee compensation after adjusting for reversals on account of options lapsed.

	As at 31st December, 2003	Additions	Deductions	Rs. lakhs As at 31st December, 2004
Employee Stock Options				
Employee Stock Options Outstanding	4,66.04	—	(18.00)	4,48.04
Less : Deferred Employee Compensation	(2,60.17)	—	2,21.80	(38.37)
Employee Stock Options	2,05.87	—	2,03.80	4,09.67

(g) Represents the General Reserve deduction on disposal of KICM (Madras) Limited.

(h) Including share of Joint Ventures Rs. 9,51.20 lakhs (2003 - Rs. 83.57 lakhs).

Schedules to Balance Sheet

3. SECURED LOANS

9% Secured Redeemable Non-Convertible Debentures of the face value of Rs.6 each
 - Secured by charge on identified immovable and movable properties of Hindustan Lever Limited. Redeemable in full at the end of 18 months from 2nd July, 2003, being the date of allotment.

Debentures held by :

Directors of Hindustan Lever Limited - Rs. 6.21 lakhs (2003 - Rs. 3.83 lakhs)

The Secretary of Hindustan Lever Limited - Rs. 0.08 lakh (2003 - Rs. 0.29 lakh)

Note : Hindustan Lever Limited has set apart funds for redemption and invested them as per the terms of the Scheme of Arrangement. Refer Note 20 to the Balance Sheet

Loans & Advances from Banks :

- Bank overdrafts
- Secured by hypothecation of stocks, book debts, etc.
- Export Packing Credit
- Secured by a pari passu charge on certain current assets.

Other loans and advances

- Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets

Share of Joint Ventures - Schedule 21 (b)

4. UNSECURED LOANS

Short- term loans & advances :

From Banks

- Export Packing Credit
- Overdrawn book balance on current account

Other loans and advances

- Other than from Banks
- (repayable before 31st December, 2005 - Rs. 4.46 lakhs; 2004 - Rs. 10.69 lakhs)

Share of Joint Ventures - Schedule 21 (b)

5. FIXED ASSETS

	GROSS BLOCK					DEPRECIATION					NETBLOCK	
	Cost/ Valuation as at 31st December, 2003	Cost taken over consequent to acquisition/ initial adoption	Additions	Deductions/ Transfers	Cost/ Valuation as at 31st December, 2004	As at 31st December, 2003	Depreciation taken over consequent to acquisition/ arising on initial adoption	Additions	Deductions/ Transfers	As at 31st December, 2004	As at 31st December, 2004	As at 31st December, 2003
Goodwill on consolidation	234,57,84(d)	—	4,61.96	(1,94.17)	237,25.63	174,34.93	—	58,04.28	(1,94.17)	230,45.04	6,80.59	60,22.91
Land - Freehold	58,24.91	—	8,93.14	(2,50.30)	64,67.75	—	—	—	—	—	64,67.75	58,24.91
- Leasehold	74,28.78	—	14,63.08	(1,93.98)	86,97.88	2,50.34	—	34.56	(55.09)	2,29.81	84,68.07	71,78.44
Buildings	596,05.47	—	73,37.74	(19,28.07)	650,15.14	117,14.45	—	15,10.33	(7,00.15)	125,24.63	524,90.51	478,91.02
Railway sidings	0.59	—	—	—	0.59	0.59	—	—	—	0.59	—	—
Plant & machinery	1208,64.96	—	195,49.69	(111,38.79)	1292,75.86	487,08.69	—	86,73.59	(67,32.76)	506,49.52	786,26.34	721,56.27
Furniture, fittings & office equipment	212,93.49	—	12,81.38	(13,49.55)	212,25.32	135,02.90	—	16,27.39	(10,03.75)	141,26.54	70,98.78	77,90.59
Trademarks 165,49.11	—	—	—	165,49.11	162,56.79	—	92.31	—	163,49.10	2,00.01	2,92.32	—
Goodwill	6,34.15	—	—	—	6,34.15	1,33.99	—	1,58.54	—	2,92.53	3,41.62	5,00.16
Motor vehicles	54,58.36	—	7,77.96	(17,87.50)	44,48.82	25,10.36	—	6,69.47	(7,88.37)	23,91.46	20,57.36	29,48.00
Total	2611,17.66	—	317,64.95	(168,42.36)	2760,40.25	1105,13.04	—	185,70.47	(94,74.29)	1196,09.22	1564,31.03	1506,04.62
Share of Joint Ventures Schedule-21 (b)	64,71.57	—	40.67	(37.01)	64,75.23	12,81.73	—	10,78.76	(13.79)	23,46.70	41,28.53	51,89.84
Total - 2004	2675,89.23	—	318,05.62	(168,79.37)	2825,15.48	1117,94.77	—	196,49.23	(94,88.08)	1219,55.92	1605,59.56	
Total - 2003	2510,03.56	17,51.16(c)	271,68.83	(123,34.32)	2675,89.23	969,86.23	7,66.13(c)	200,93.64	(60,51.23)	1117,94.77	1557,94.46	

NOTES :

- a) Capital expenditure commitments - Rs. 31,17.96 lakhs (2003 - Rs. 21,31.54 lakhs).
- b) The title deeds of immovable properties aggregating Rs. 39,11.84 lakhs (2003 - Rs. 37,37.47 lakhs), acquired on transfer of businesses / undertakings are in the process of being transferred in the name of the respective Companies.
- c) Represents Goodwill on consolidation as on 31st December, 2002 on initial adoption of AS 27.
- d) Including unamortised balance of Goodwill on consolidation as on 31st December, 2000 of Rs. 89,69.52 lakhs.

Schedules to Balance Sheet

			2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS (Long-term, Unquoted, unless otherwise stated)				
A. INVESTMENTS IN GOVERNMENT SECURITIES				
	7 Year National Savings Certificates - II Issue		114	113
	12 Year Post Office National Defence Certificates		012	012
	Government of India stock of the face value of Rs. 27,03.24 lakhs (2003-Rs. 415,30.25 lakhs) (current investments) (quoted)		27105	513,1518
	Government stocks / Bonds (quoted)		4,98.53	3,05.23
	Treasury Bills of the face value of Rs. 20,500.00 lakhs (2003-Rs. 132,79.50 lakhs) (current investments)		203,05.19	127,73.11
	Share of Joint Ventures - Schedule - 21 (b)		0.12	0.12
	TOTAL - A		235,76.15	643,94.89
B. TRADE INVESTMENTS AT COST - SHARES				
In Associates				
Tata Chemicals Limited (formerly shares held in Hind Lever Chemicals Limited)	(2003-68,92,800) Equity shares of Rs.10 each fully paid (Quoted)	52,41.85	52,41.85	
	(5 Shares of Tata Chemicals Limited received for every 2 Shares of Hind Lever Chemicals Limited consequent to the merger of Hind Lever Chemicals Limited with Tata Chemicals Limited)			
	Add : Group Share of Profits /(losses) upto 31.05.04 (net of dividends received)	110,09.76	105,19.55	
	Less : Reduction on account of associate company becoming other trade investment	(162,51.61)	—	157,61.40
Vashisi Detergents Limited	1,69,04,140 Equity shares of Rs.10 each fully paid (Quoted) Cost of acquisition (including goodwill of Rs. 719.66 lakhs)	29,40.00	29,40.00	
	Add : Group Share of Profits / (losses) upto 31.12.04	83.62	30,23.62	30,24.51
In Other Companies				
Tata Chemicals Limited (formerly shares held in Hind Lever Chemicals Limited)	1,42,32,000 Equity shares of Rs.10 each fully paid (quoted) (5 Shares of Tata Chemicals Limited received for every 2 Shares of Hind Lever Chemicals Limited consequent to the merger of Hind Lever Chemicals Limited with Tata Chemicals Limited; 30,00,000 shares sold during the year)	134,22.29	—	
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50 Reclassified from Investment in associates Shares of Rs.100 each fully paid	0.05	0.05	
Hi Tech Surfactants Limited	58,400 Equity shares of Rs.10 each fully paid	5.87	5.87	
Aquagel Chemicals Private Limited	2,84,040 Equity shares of Rs.100 each fully paid	2,65.56	2,65.56	
	9,13,000 7% Cumulative Redeemable Preference Shares of Rs.100 each fully paid	9,13.00	9,13.00	
Super Bazar Co-op. Stores Limited	1,000 Equity shares of Rs.10 each fully paid	0.10	0.10	
Snowman Frozen Foods Limited	38,32,000 Equity shares of Rs.10 each fully paid	5,01.71	5,01.71	
S.C. Johnson Products Private Limited	11,04,000 Equity shares of Rs. 5 each fully paid	7.02	7.02	
Coffee Futures India Exchange Limited	1 Equity share of Rs.10,000 each fully paid	0.10	0.10	
Goldfield Fragrances Private Limited	7,164 Equity shares of Rs.10 each fully paid	2.40	2.40	
ABC Tea Workers Welfare Services	13,926 Equity shares of Rs.10 each fully paid	1.39	1.39	
Project India Blend Limited	1,00,000 Equity shares of Rs.10 each fully paid	10.00	10.00	
Share of Joint Ventures- Schedule - 21(b)		12.00	12.00	
	TOTAL - B	181,65.11	205,05.11	
C. NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES & BONDS				
ICICI Bank Limited	— (2003-1,48,321) Equity shares of Rs.10 each fully paid (Quoted) (Sold during the year)	—	1,66.04	
Emergents Genetics India Private Limited (formerly Paras Extra Growth Seeds Limited)	73,12,500 (2003-73,12,400) Equity shares of Rs.10 each fully paid (100 shares purchased during the year)	841.66	841.53	
Indian Railway Finance Corporation	— (2003-30,000) 10.50% Eleventh Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Redeemed during the year) (Current Investments)	—	3,00.00	
	— (2003-30,000) 10.50% Twelfth A Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Redeemed during the year) (Current Investments)	—	3,00.00	
	— (2003-3,00,000) 10.50% Twelfth A Series Tax Free Secured Redeemable Non-Cumulative Bonds of Rs.1,000 each (Redeemed during the year) (Current Investments)	—	30,00.00	
SBI Home Finance Limited	— (2003-1,44,200) Equity shares of Rs.10 each fully paid (Quoted) (Sold during the year)	—	14.42	
Ranbaxy Laboratories Limited	— (2003-640) Equity shares of Rs.10 each fully paid (Quoted) (Sold during the year)	—	0.60	
Sterling Holiday Resorts	— Sterling Holiday Resorts Time Shares (Sold during the year)	—	0.67	
Comfund Financial Services India Limited	2,40,000 Equity shares of Rs.10 each fully paid.	24.00	24.00	
Assam Bengal Cereals Limited	8,284 Equity shares of Rs.10 each fully paid.	0.83	0.83	
The Bengal Chamber of Commerce & Industry	14 6 1/2% Non-Redeemable Registered Debentures. (Face value Rs. 0.14 lakh)	0.17	0.17	

Schedules to Balance Sheet

			2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS (Contd.)				
(Long term, Unquoted, unless otherwise stated)				
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-Redeemable Registered Debenture stock (Face value Rs.027 lakh)	027	027
	44	1/2 % Debentures of Rs 100 each (Face value Rs 0.05 lakh : Cost Rs 100).	—	—
Shillong Club Limited	56	5% Debentures of Rs.100 each (Cost Rs. Nil)	—	—
	1	5% Registered Debenture of Rs.10,200 fully paid	—	—
East India Clinic Limited	1	5% Registered Debenture of Rs.17,750 fully paid	—	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs.100 each fully paid.	0.20	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs.10 each fully paid	10.00	10.00
Scooters India Limited	10,000	Equity shares of Rs.10 each fully paid (listed but not quoted)	1.00	1.00
Annamallais Ropeway Company Limited	1,150	Ordinary shares of Rs. 100 each fully paid (Cost Rs. Nil)	—	—
Saraswat Cooperative Bank Limited	2,005	Equity shares of Rs.10 each fully paid	0.20	0.20
National Bank for Agriculture and Rural Development	—	(2003-1,06,705) 8.50% Capital Gains Bonds of Rs.10,000 each (Redeemed during the year)	—	10,670.50
	52,530	8.00% Capital Gains Bonds of Rs.10,000 each	52,53.00	52,53.00
	15,500	5.25% Capital Gains Bonds of Rs.10,000 each	15,50.00	15,50.00
	9,250	5.50% Capital Gains Bonds of Rs.10,000 each	9,25.00	9,25.00
National Highways Authority of India	1,31,250	8.00% Capital Gains Bonds of Rs.10,000 each	131,25.00	131,25.00
National Housing Bank	50,000	5.50% Capital Gains Bonds 2002 of Rs.10,000 each	50,00.00	50,00.00
	3,075	5.10% Capital Gains Bonds 2002 of Rs.10,000 each (Purchased during the year)	3,07.50	—
OTHERS				
Unit Trust of India	—	(2003-370) Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs.100 each (Sold during the year)	—	0.37
	48,77,837	(Current Investments)	—	—
	5,000	Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments) (Quoted)	50,04.54	50,04.54
Prudential ICICI Mutual Fund	—	Master Gain 92 units of Rs.10 each (2003-4,63,20,028) Units of Prudential ICICI Institutional Short Term Plan-Dividend Reinvestment Fortnightly (Sold during the year) (Current Investments)	0.50	0.50
	81,00,373	(2003-66,73,849) Units of Prudential ICICI Institutional Liquid Plan - Growth (81,00,373 units purchased and 66,73,849 units sold during the year) (Current Investments)	—	50,18.39
	21,16,17,030	(2003-4,56,40,665) Units of Prudential ICICI Institutional Plus - Growth Option (21,16,17,030 units purchased and 4,56,40,665 units sold during the year) (Current Investments)	9,66.18	10,16.60
	15,18,90,040	(2003-12,58,75,866) Units of Prudential ICICI Liquid Plan Institutional Plus - Weekly Dividend Option (45,45,54,614 units purchased 11,22,247 units cumulated and 42,96,62,687 units sold during the year) (Current Investments)	333,00.00	70,00.00
	—	(2003-96,84,011) Units of Prudential ICICI Floating Rate Plan - Growth (Sold during the year) (Current Investments)	180,17.78	149,24.09
	4,28,41,680	Units of Prudential ICICI Liquid Institutional Plus Monthly Dividend (78,31,12,785 units purchased, 27,92,583 units cumulated and 74,30,63,688 units sold during the year) (Current Investments)	—	10,00.00
DSP Merrill Lynch Mutual Fund	—	(2003-25,268,330) Units of DSP Merrill Lynch Liquidity Fund - Weekly Dividend (4,03,00,871 units purchased, 1,48,824 units cumulated and 6,57,18,025 units sold during the year) (Current Investments)	51,06.24	—
Standard Chartered Mutual Fund	3,08,81,499	(2003-10,33,04,308) Units of Grindlays Cash Fund-Institutional Plan B Growth (5,05,17,919 units purchased 6,26,452 units cumulated and 12,35,67,180 units sold during the year) (Current Investments)	—	31,34.37
	—	(2003-2,59,85,755) Units of Grindlays Cash Fund-Institutional Plan B Weekly Dividend (20,99,83,333 units purchased, 2,12,413 units cumulated and 23,61,81,501 units sold during the year) (Current Investments)	35,80.10	120,00.00
	—	(2003-97,54,099) Units of Grindlays Floating Rate Short Term Institutional Plan B Growth (Sold during the year) (Current Investments)	—	26,76.58
	—	(2003-4,61,06,965) Units of Grindlays Super Saver Income Fund - Short Term Plan B Institutional Plan - Monthly Dividend Option (6,19,92,036 units purchased, 6,19,234 units cumulated and 10,87,18,235 units sold during the year) (Current Investments)	—	10,00.00
	—	(2003-2,29,73,754) Units of Grindlays Super Saver Income Fund - Short Term Plan B Institutional Plan - Growth Option (Sold during the year) (Current Investments)	—	47,27.50
	4,54,46,466	Units of Grindlays Cash Fund Plan C Super Institutional Plan - Growth (7,34,50,106 units purchased and 2,80,03,640 units sold during the year) (Current Investments)	—	28,99.79
	14,49,83,087	Units of Grindlays Cash Fund Plan C Super Institutional Plan - Weekly Dividend (84,19,44,324 units purchased, 13,59,981 units cumulated and 69,83,21,218 units sold during the year) (Current Investments)	47,00.00	—
	2,00,00,000	Units of Grindlays FMP AP - Growth (Purchased during the year) (Current Investments)	144,98.30	—
HDFC Mutual Fund	—	(2003-41,95,754) Units of HDFC Liquid Fund-Premium Plus Plan - Dividend Reinvestment (1,66,60,413 units purchased, 1,35,556 units cumulated and 2,09,91,723 units sold during the year) (Current Investments)	20,00.00	—
	—		—	5,01.94

Schedules to Balance Sheet

		2004 Rs. lakhs	2003 Rs. lakhs
6. INVESTMENTS (Contd.)			
(Long term, Unquoted, unless otherwise stated)			
	— (2003-5,71,33,345) Units of HDFC Liquid Fund - Premium Plus Plan - Growth (Sold during the year) (Current Investments)	—	71,000
	— (2003-1,90,07,363) Units of HDFC Cash Management Fund - Savings Plan - Weekly - Dividend Reinvestment (8,18,44,780 units purchased, 3,72,414 units cumulated and 10,12,24,557 units sold during the year) (Current Investments)	—	20,20.49
	4,56,66,454 Units of HDFC Cash Management Fund Savings Plan - Growth (Purchased during the year) (Current Investments)	60,00.00	—
Birla Sunlife Mutual Fund	— (2003-4,53,63,796) Units of Birla Cash Plus Monthly - Dividend Reinvestment (4,29,71,209 units purchased and 696,483 units cumulated and 8,90,31,488 units sold during the year) (Current Investments)	—	45,38.56
	— (2003-6,86,64,645) Units of Birla Cash Plus Institutional Plan - Growth (Sold during the year) (Current Investments)	—	114,40.92
	89,09,684 Units of Birla Bond Plus Institutional Plan - Dividend (88,79,317 units purchased, 30,367 units cumulated during the year) (Current Investments)	9,26.64	—
Deutsche Mutual Fund	— (2003-5,07,85,291) Units of Deutsche Short Maturity Fund - Growth Plan (Sold during the year) (Current Investments)	—	54,00.00
	— (2003-2,49,55,473) Units of Deutsche Insta Cash Plus Fund - Weekly Dividend Plan (1,32,140 units cumulated and 2,50,87,613 units sold during the year) (Current Investments)	—	25,25.34
	1,50,71,306 (2003-98,75,711) Units of Deutsche Insta Cash Plus Fund - Growth Plan (1,50,71,306 units purchased and 98,75,711 units sold during the year) (Current Investments)	16,00.00	10,19.84
	1,19,69,835 Units of Deutsche Short Maturity Fund - Monthly Dividend (4,03,58,633 units purchased, 95,592 units cumulated and 2,84,84,390 units sold during the year) (Current Investments)	12,11.11	—
HSBC Mutual Fund	— (2003-2,88,14,569) Units of HSBC Cash Fund - Growth Plan (Sold during the year) (Current Investments)	—	30,00.00
	1,49,65,019 (2003-1,90,04,903) Units of HSBC Cash Fund - Institutional Plan - Growth (1,49,65,019 units purchased and 1,90,04,903 units sold during the year) (Current Investments)	16,00.00	20,00.00
	— (2003-1,45,57,803) Units of HSBC Cash Fund - Institutional Plan - Weekly Dividend (22,473 units cumulated and 1,45,80,276 units sold during the year) (Current Investments)	—	15,20.24
	19,25,63,707 Units of HSBC Cash Fund Institutional Plus Monthly Dividend (27,61,92,560 units purchased, 17,68,482 units cumulated and 8,53,97,335 units sold during the year) (Current Investments)	192,63.49	—
	7,50,02,767 Units of HSBC Cash Fund Institutional Plus Weekly Dividend (7,49,40,800 units purchased, 61,967 units cumulated) (Current Investments)	75,01.92	—
Principal Mutual Fund	— (2003-1,39,95,661) Units of Principal Cash Management Fund Liquid Option Institutional Plan - Dividend Reinvestment - Weekly (2,59,78,957 units purchased, 90,805 units cumulated and 4,00,65,423 units sold during the year) (Current Investments)	—	14,00.00
	2,39,38,564 (2003-7,17,96,029) Units of Principal Cash Management Fund Liquid Option - Institutional Plan - Growth (2,39,38,564 units purchased and 7,17,96,029 units sold during the year) (Current Investments)	25,00.00	73,12.10
	13,87,45,487 Units of Principal Cash Management Fund Liquid Option Institutional Premium Plan - Dividend Reinvestment - Monthly (19,85,96,002 units purchased, 1,67,998 units cumulated and 6,00,18,513 units sold during the year) (Current Investments)	138,78.74	—
	2,70,27,497 Units of Principal Cash Management Fund Liquid Option Institutional Premium Plan - Dividend Reinvestment - Weekly (2,70,00,608 units purchased, 26,889 units cumulated during the year) (Current Investments)	27,02.82	—
	4,92,38,287 Units of Principal Cash Management Fund Liquid Option - Institutional Premium Plan - Growth (Purchased during the year) (Current Investments)	50,00.00	—
Franklin Templeton Fund	— (2003-13,080,425) Units of Templeton India Liquid Fund Growth (Sold during the year) (Current Investments)	—	20,05.72
	— (2003-3,77,58,210) Units of Templeton Floating Rate Income Fund Short Term Plan Dividend Reinvestment (7,79,672 Units Cumulated and 3,85,37,882 units sold during the year) (Current Investments)	—	37,78.24
	— (2003-44,57,639) Units of Templeton Floating Rate Income Fund Short Term Plan - Growth (Sold during the year) (Current Investments)	—	5,00.00
	— (2003-3,48,550) Units of Templeton India Treasury Management Account - Weekly Dividend Reinvestment (1,54,093 units purchased, 5,358 units cumulated and 5,08,001 units sold during the year) (Current Investments)	—	43,37.31
Share of Joint Ventures - Schedule - 21(b)		22,54.00	13,23.00
	TOTAL - C	178651.19	163309.86
	TOTAL - (A+B+C)	220392.45	248209.86
Provision for diminution in value of long-term investments		(3,77.17)	(3,70.15)
	TOTAL	220015.28	247839.71
Aggregate book value of investments	Unquoted	195294.25	172493.75
	Listed but not quoted	1.00	1.00
	Quoted - Market Value Rs. 342,26.18 lakhs (2003 - Rs. 869,39.89 lakhs)	24720.03	753,44.96
	TOTAL	220015.28	247839.71

2004

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs
7. DEFERRED TAX ASSETS		
On Employee Separation and Retirement	198,39.34	210,52.24
On Other Timing Differences	123,61.15	132,26.35
On Fiscal Allowances on Investments	5,28.17	6,65.45
Other Items	47,50.81	32,51.60
	<u>374,79.47</u>	<u>381,95.64</u>
Share of Joint Ventures - schedule 21 (b)	—	—
	<u>374,79.47</u>	<u>381,95.64</u>
8. DEFERRED TAX LIABILITIES		
On Fiscal Allowances on Fixed Assets	(142,17.72)	(111,17.54)
	<u>(142,17.72)</u>	<u>(111,17.54)</u>
Share of Joint Ventures - schedule 21 (b)	(5,53.26)	(4,39.39)
	<u>(147,70.98)</u>	<u>(115,56.93)</u>
9. INVENTORIES (at lower of cost and net realisable value)		
Stores and spare parts, etc.	42,13.14	43,76.29
Raw materials	727,18.89	589,65.24
Packing materials	104,46.87	89,19.51
Work-in-progress	48,95.90	62,12.57
Processed chemicals	1,09.07	1,71.50
Finished goods	623,88.02	693,32.69
Property Development Activity (Including Land Development rights) - Work-in-progress (Refer Note 15 to Profit and Loss Account)	48.47	88.07
	<u>1548,20.36</u>	<u>1480,65.87</u>
Share of Joint Ventures - schedule 21 (b)	10,62.40	9,17.17
	<u>1558,82.76</u>	<u>1489,83.04</u>
10. SUNDRY DEBTORS (unsecured)		
Considered good		
Over 6 months old	67,92.65	53,95.57
Others	493,11.82	464,10.71
	<u>561,04.47</u>	<u>518,06.28</u>
Considered doubtful		
Over 6 months old	87,56.92	81,84.50
Others	3.94	—
	<u>87,60.86</u>	<u>81,84.50</u>
	<u>648,65.33</u>	<u>599,90.78</u>
Less : Provision for doubtful debts	(87,60.86)	(81,84.50)
	<u>561,04.47</u>	<u>518,06.28</u>
Share of Joint Ventures - schedule 21 (b)	8,36.51	8,97.81
	<u>569,40.98</u>	<u>527,04.09</u>
11. CASH AND BANK BALANCES		
Cash on hand	1,71.27	2,07.34
With Scheduled banks	117,48.70	216,07.88
- on current accounts	596,28.67	613,55.50
- on deposit accounts	24,25.71	8,57.92
Balance with other banks	8,21.88	21,28.99
	<u>747,96.23</u>	<u>861,57.63</u>
Share of Joint Ventures - schedule 21 (b)	33,56.56	30,82.04
	<u>781,52.79</u>	<u>892,39.67</u>
12. OTHER CURRENT ASSETS		
Income accrued on investments	40,19.05	51,14.96
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	9,17.24	19,85.21
	<u>49,36.29</u>	<u>71,00.17</u>
Share of Joint Ventures - schedule 21 (b)	1,68.31	1,36.92
	<u>51,04.60</u>	<u>72,37.09</u>

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs
13. LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received [including :-	388,86.57	476,78.91
(i) Rs.145,45.17 lakhs (2003 - Rs. 110,47.61 lakhs) not due before 31st December, 2005;		
(ii) Rs. Nil (2003 - Rs. 10,00.00 lakhs) on account of inter corporate deposits].		
Considered doubtful	<u>29,83.32</u>	<u>47,49.62</u>
	418,69.89	524,28.53
Less : Provision for doubtful advances	<u>(29,83.32)</u>	<u>(47,49.62)</u>
	388,86.57	476,78.91
Receivable from Emergent Genetics India Private Limited. (Formerly known as Paras Extra Growth Seeds Limited)	16,80.00	16,80.00
Deposits with Customs, Port Trust, Excise, etc.	152,27.51	127,59.94
Current taxation (payments in excess of provisions)	3,85.69	3,88.91
	<u>561,79.77</u>	<u>625,07.76</u>
Share of Joint Ventures - schedule 21 (b)	9,33.56	4,07.65
	<u>571,13.33</u>	<u>629,15.41</u>
14. LIABILITIES		
Acceptances	454,05.68	605,37.84
Sundry creditors (See Schedule 19)		
Small Scale Industrial Undertakings	44,07.94	53,94.87
Others	<u>2110,03.40</u>	<u>1907,11.49</u>
	2154,11.34	1961,06.36
Advances and progress payments - Property Development Activity	1,40.11	9,05.13
Security advances	16,42.78	18,71.09
Dividends declared pending payment / encashment	35,05.09	33,00.70
Interest accrued but not due on loans	62,31.11	69,13.54
	<u>2723,36.11</u>	<u>2696,34.66</u>
Share of Joint Ventures - schedule 21 (b)	22,72.88	25,11.89
	<u>2746,08.99</u>	<u>2721,46.55</u>
15. PROVISIONS		
Current taxation (provisions in excess of payments) including tax on distributed profits	74,06.92	74,91.04
Provision for retirement/post retirement benefits and other employee benefits	465,65.57	539,33.24
Proposed dividend	550,31.09	660,37.31
Other provisions	76,68.42	86,03.30
	<u>1166,72.00</u>	<u>1360,64.89</u>
Share of Joint Ventures - schedule 21 (b)	3,13.12	2,59.12
	<u>1169,85.12</u>	<u>1363,24.01</u>
16. Certain demands for increased wages, etc. received from workmen have been referred to adjudication. In the opinion of Hindustan Lever Limited's management, the ultimate liability to the Company, if any, with respect to such demands would not have a material effect on the accounts.		
17. Pursuant to the order passed by the Honourable High Court of Bombay dated 16th June, 1997, the erstwhile Pond's (India) Limited had, on 21st July, 1997, allotted 9,31,000 shares on preferential basis to M/s. Unilever Overseas Holdings BV at a price of Rs. 620/- per share and an amount of Rs. 610/- per share was credited to Share Premium Account in respect of these shares. These shares and the share premium thereon are subject to the conditions imposed by the Honourable High Court of Karnataka in its interim order dated 6th April, 1994 [Writ Petition No. 3863 of 1994] and are subject to the final orders that may be passed by the court on the writ petition. Likewise 9,31,000 bonus shares relating to the preferential allotment made to M/s. Unilever Overseas Holdings BV, are subject to the same terms and conditions applicable to the preferential allotment. In respect of the above, 1,39,65,000 shares of Re. 1/- each fully paid up of Hindustan Lever Limited have been issued.		

Schedules to Balance Sheet

	2004 Rs. lakhs	2003 Rs. lakhs	
18. CONTINGENT LIABILITIES			
(i) Claims made against Companies not acknowledged as debts and other matters - gross Rs. 604,58.97 lakhs (2003 - Rs. 640,21.84 lakhs) net of tax	476,95.28	494,60.73	
(ii) Bills discounted but not matured	10.28	56,37.55	
(iii) Guarantees given to banks, etc. in respect of third parties	84,51.49	18,17.19	
Share of Joint Ventures - schedule 21 (b)	—	8.28	
19. The information given in Schedule 14 - “Liabilities” regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the respective Companies. This has been relied upon by the auditors.			
20. Subsequent to the Balance Sheet date, pursuant to the Scheme of Arrangement between Hindustan Lever Limited and its members, as approved by the shareholders in the Court convened meeting held on 9th August, 2002 and subsequently sanctioned by the Honourable High Court of Mumbai on 19th December, 2002, the Company has redeemed in full 9% Secured Redeemable Debentures of Rs. 6/- each aggregating Rs. 1320,74.63 lakhs.			
21. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - “Consolidated Financial Statements”, Accounting Standard 23 (AS 23) - “Accounting for Investments in Associates in Consolidated Financial Statements” and Accounting Standard 27 (AS 27) - “Financial Reporting of Interests in Joint Ventures”, issued by the Institute of Chartered Accountants of India.			
(a) The subsidiaries (which along with Hindustan Lever Limited, the parent, constitute the Group) considered in the consolidated financial statements are :			
Name of the Company	Country of Incorporation	% voting power held as at 31st December, 2004	% voting power held as at 31st December, 2003
Lipton India Exports Limited	India	100	100
Indexport Limited	India	100	100
Bon Limited	India	100	100
Nepal Lever Limited	Nepal	80	80
Lever India Exports Limited	India	100	100
Merryweather Food Products Limited	India	100	100
International Fisheries Limited	India	99.98	99.98
KICM (Madras) Limited (Refer 14(ii) of Notes to Profit and Loss Account)	India	100	100
Modern Food Industries (India) Limited	India	100	100
Ponds Exports Limited	India	100	100
Daverashola Tea Company Limited	India	100	100
Thiashola Tea Company Limited	India	100	100
Indigo Lever Shared Services Limited	India	100	100
Rossell Industries Limited (Shares held by Lipton India Exports Limited)	India	61.13	60.87
TOC Disinfectants Limited (Shares held by Lever India Exports Limited and Indexport Limited)	India	99	50*
Modern Food and Nutrition Industries Limited (Shares held by Modern Food Industries (India) Limited)	India	100	100
Levers Associated Trust Limited	India	100	100
Levindra Trust Limited	India	100	100
Hindlever Trust Limited	India	100	100
* 5,50,00,120 shares of 11,00,00,160 shares were held by the Group			
(b) Interests in Joint Ventures			
The Group’s interests, in jointly controlled entities (incorporated Joint Ventures) are :			
Name of the Company	Country of Incorporation	% of ownership interest as at 31st December, 2004	% of ownership interest as at 31st December, 2003
Kimberly - Clark Lever Private Limited	India	50%	50%
Quest International India Limited	India	49%	49%
Lever Gist Brocades Private Limited (Upto September 2003)	India	—	—
S.C. Johnson Products Private Limited (Upto June 2003)	India	—	—
The Financial Statements of the Joint Ventures are drawn upto 31st December.			

Schedules to Balance Sheet

(b) Interests in Joint Ventures (Contd.)

	As at 31st December, 2004 (Rs. lakhs)	As at 31st December, 2003 (Rs. lakhs)
I. ASSETS		
1. Fixed Assets	41,43.26	51,93.51
2. Investments	22,66.12	13,35.12
3. Deferred Tax - Net	(5,53.26)	(4,39.39)
4. Current Assets, Loans and Advances		
a) Inventories	10,62.40	9,17.17
b) Sundry Debtors	8,36.51	8,97.81
c) Cash and Bank Balances	33,56.56	30,82.04
d) Other Current Assets	1,68.31	1,36.92
e) Loans and Advances	9,33.56	4,07.65
II. LIABILITIES		
1. Shareholders Funds - Reserves and Surplus	(9,51.20)	(83.57)
2. Current Liabilities and Provisions		
a) Liabilities	(22,72.88)	(25,11.89)
b) Provisions	(3,13.12)	(2,59.12)
	For the year ended 31st December, 2004 (Rs. lakhs)	For the year ended 31st December, 2003 (Rs. lakhs)
III. INCOME		
1. Sales	92,71.52	70,69.97
2. Other Income	3,49.09	2,85.42
IV. EXPENSES		
1. Operating expenses	(72,51.80)	(57,38.49)
2. Depreciation	(10,78.76)	(3,37.65)
3. Interest	(1.09)	(3.40)
4. Profit before Taxation	12,88.96	12,75.85
5. Provision for Taxation (including deferred taxation)	(4,21.33)	(1,86.81)
6. Profit after Taxation before minority interests	8,67.63	10,89.04
7. Minority Interests	—	—
8. Net Profit	8,67.63	10,89.04
V. OTHER MATTERS		
1. Contingent Liabilities	—	8.28
2. Capital Commitments	—	—
The movement of the aggregate reserves of the joint ventures are as under :		
Reserves as at 1st January	83.57	(51,00.41)
Add : Group share of Profits for the year	8,67.63	10,89.04
Less : Reserves on disposal of Joint Ventures	—	40,94.94
Reserves as at 31st December	9,51.20	83.57

(c) Investment in Associates

The Group's Associates are :

Name of the Company	Country of Incorporation	% of ownership interest as at 31st December, 2004	% of ownership interest as at 31st December, 2003
Hind Lever Chemicals Limited (upto 31st May, 2004)	India	—	50%
Vashisti Detergents Limited	India	32.91%	32.91%

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

During the year the Group's interest in Hind Lever Chemicals Limited (currently known as Tata Chemicals Limited) has been reduced on the merger of Hind Lever Chemicals Limited with Tata Chemicals Limited effective May 2004. Consequently the carrying cost of investment has been reported as Trade Investments - In other Companies.

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

Notes to the Cash Flow Statement for the year ended 31st December, 2004

	2004 Rs. lakhs	2003 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	781,52.79	892,39.67
Unrealised loss / (gain) on foreign currency cash and cash equivalents	0.44	2.04
Total cash and cash equivalents	781,53.23	892,41.71
2. Consideration received on sale of edible Oils and Fats business, considered under exceptional items (net of Rs. 1,53.38 lakhs towards net current assets)	—	85,16.62
3. The Group acquired additional shares in a subsidiary for cash	2,48.73	62.59
4. Cash and Cash equivalents includes Rs. 55,00 lakhs lien on bank deposits for loan availed by subsidiaries; 2003 - Rs. Nil.		
5. Figures in brackets indicate cash outgo.		
6. In view of notes 2 and 3 above, the current year's figures are not comparable with that of the previous year.		
7. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.		
8. The previous year's figures have been regrouped / restated wherever necessary to conform to this year's classification.		

Segment Information for the Year Ended 31st December, 2004

Information About Primary Business Segments

	2004 Rs. lakhs			2003 Rs. lakhs		
	External	Intersegment	Total	External	Intersegment	Total
REVENUE						
Soaps and Detergents	4469,71.90		4469,71.90	4376,28.45		4376,28.45
Personal Products	2608,33.49		2608,33.49	2577,70.44		2577,70.44
Beverages	1194,55.06		1194,55.06	1184,17.54		1184,17.54
Foods	429,52.75		429,52.75	801,68.61		801,68.61
Ice Creams	97,37.23		97,37.23	101,69.24		101,69.24
Exports	1459,30.32	19,82.36	1479,12.68	1416,22.34	18,70.82	1434,93.16
Other Operations	458,73.71	43,28.52	502,02.23	488,50.29	58,99.83	547,50.12
Total Segment	10717,54.46	63,10.88	10780,65.34	10946,26.91	77,70.65	11023,97.56
Eliminations			(63,10.88)			(77,70.65)
Total Revenue (see note 3 to Segment Information)			10717,54.46			10946,26.91
RESULT						
Soaps and Detergents			772,00.24			1085,24.02
Personal Products			820,38.89			904,50.06
Beverages			238,70.75			224,83.65
Foods			(86,97.92)			(6,66.60)
Ice Creams			(1,71.71)			2,12.71
Exports			92,33.65			109,50.24
Other Operations			(35,17.23)			(33,62.39)
Total Segment			1799,56.67			2285,91.69
Eliminations			—			3,11.00
Total Consolidated			1799,56.67			2289,02.69
Un-allocated expenditure net of un-allocated income			(354,14.03)			(301,47.01)
Operating Profit			1445,42.64			1987,55.68
Interest expenses			(136,24.94)			(69,11.76)
Interest / dividend income and surplus on disposal of investments (net) (net of provision / write back for diminution in long term investments and mark down of current investment)			152,63.78			240,39.56
Taxation for the year (including adjustments of previous years)			(321,30.83)			(458,48.55)
Profit after taxation, before exceptional items and share of Associates Profits			1140,50.65			1700,34.93
Exceptional items - income and expenditure (Segment)						
Detergents		(31,39.44)			(48,05.64)	
Personal Products		(39,35.15)			—	
Foods		93,97.54			26,13.08	
Beverages		(18,56.48)			(9,49.30)	
Ice Creams		—			(47.18)	
Other Operations		(44,35.42)			(12,20.00)	
			(39,68.95)			(44,09.04)
Exceptional items - income and expenditure (Unallocated/Corporate)			82,11.96			(24,93.19)
- Tax credit			18,37.70			44,52.30
Profit after exceptional items before share of Associates Profits			1201,31.36			1675,85.00
Share of Associates' net profit			4,89.00			2,47.02
Profit before Minority Interests			1206,20.68			1678,32.02

Segment Information for the Year Ended 31st December, 2004

Information About Primary Business Segments

Other Information	Segment Assets Rs. lakhs		Segment Liabilities Rs. lakhs	
	2004	2003	2004	2003
Soaps and Detergents	1497,09.23	1425,20.34	(1218,24.59)	(1255,06.48)
Personal Products	853,30.92	719,77.26	(554,27.04)	(493,98.26)
Beverages	421,18.02	361,57.03	(442,36.18)	(393,79.07)
Foods	143,65.71	169,95.50	(128,34.39)	(116,69.58)
Ice Creams	71,22.43	71,35.61	(69,57.73)	(62,33.45)
Exports	727,16.41	598,99.45	(213,83.87)	(231,63.55)
Other Operations	317,07.24	376,89.20	(120,36.42)	(135,19.48)
Total	4030,69.96	3723,74.39	(2747,00.22)	(2688,69.87)
Unallocated Corporate Assets / Liabilities	3785,87.57	4380,95.10	(2920,90.28)	(3226,75.71)
Total Assets / Liabilities	7816,57.53	8104,69.49	(5667,90.50)	(5915,45.58)

	Capital expenditure		Depreciation / Amortisation		Non-Cash expenses other than depreciation / amortisation	
	Year 2004	Year 2003	Year 2004	Year 2003	Year 2004	Year 2003
Soaps and Detergents	136,84.71	79,91.02	52,53.68	48,88.10	4,32.59	44,64.55
Personal Products	134,74.72	48,43.38	17,63.80	13,88.67	12,30.24	5,22.51
Beverages	7,45.85	5,04.94	6,06.85	6,42.23	3,71.94	4,02.07
Foods	4,67.15	2,68.39	2,79.23	5,71.41	2,92.01	16,44.47
Ice Creams	1,14.31	1,62.12	6,42.69	5,55.46	42.75	24.90
Exports	26,95.84	43,65.72	14,92.86	13,74.04	4,96.13	(97.34)
Other Operations	6,60.68	5,99.96	19,00.05	13,89.62	(66.97)	12,14.63

Segment Information for the Year Ended 31st December, 2004

Information About Secondary Business Segments

	2004 Rs. lakhs	2003 Rs. lakhs
Revenue by Geographical Market		
India	9074,50.22	9387,02.13
Outside India	1643,04.24	1559,24.78
Total	10717,54.46	10946,26.91
Additions to Fixed Assets and Intangible Assets		
India	317,84.15	186,48.43
Outside India	59.10	87.10
Total	318,43.25	187,35.53
Carrying Amount of Segment Assets		
India	3976,24.19	3683,00.13
Outside India	54,45.76	40,74.26
Total	4030,69.95	3723,74.39

Notes :

1. Business Segments

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

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

Segment Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable.

In addition, the **Exports** business segment includes sales of Marine Products, Leather Products, Castor, Mushrooms, etc. as well as sales of Soaps and Detergents, Personal Products, Beverages and Foods, etc. by the Exports Division.

The above business segments have been identified considering :

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

Detergents and Personal Products Segment results includes write-back of excess provision of Rs. 33,27.88 lakhs and Rs. 8,31.97 lakhs respectively arising out of Supreme Court decision in respect of legal dispute.

Ice Cream Segment Result includes benefit arising out of early repayment of deferred sales tax liability of Rs. 1,59.66 lakhs (2003 - Rs. 10,93.84 lakhs).

2. Geographical Segments

The geographical segments considered for disclosure are as follows :

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

3. Revenue comprise

	2004 Rs. lakhs	2003 Rs. lakhs
Sales	10598,20.01	10836,94.78
Income from services rendered (included in Other Income)	116,35.74	87,99.19
Income from property development activity (included in Other Income)	2,98.71	21,32.94
Total	10717,54.46	10946,26.91

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

Related Party Disclosures

A. Enterprises where control exists

(i) Holding Company :

Unilever PLC

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

(i) Fellow Subsidiaries :

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

Fellow Subsidiaries : (Contd.)

BBL Japan K.K.
 Nippon Lever K.K.
 Safial B.V.
 Sagit SPA, Italy
 Unilever Ethiopia
 Unilever Philippines (Prc), Inc.
 PT Unilever Indonesia TBK
 Unilever Thai Holdings Ltd.
 Unilever Thai Trading Ltd.
 Unilever Sanayi ve Ticaret Turk A.S
 Unilever Home & Personal Care USA
 Lever Maroc S.A.
 Lever Egypt SAE
 Unilever (Shanghai) Co. Ltd.
 Lipton Division, Canada
 Lever Arabia Ltd.
 Lever Brothers Nigeria Ltd.
 Severn Gulf FZE
 Lipton Soft Drinks (Ireland)
 Lever Israel
 Elida P/S, Vietnam
 Thani Mursid Lever LLC, Arabia
 Unilever CR, Czech Republic
 Unilever Polska
 Lever International Marine Supplies (LIMS) BV
 Unilever Gulf Free Zone Establishment, Arabia
 Unilever (China) Limited
 Lever Fattal, Lebanon
 Unilever South Central Europe
 Unilever Baltic LLC
 Unilever Levant, Lebanon
 Unilever Tuketim Urunleri Sat Pazarlama Ticaret A.S.
 Unilever Best Foods, Vietnam
 Unilever SNG, Russia
 Unilever Taiwan Ltd.
 Unilever Ukraine
 Unilever Tuketim Mersin Serbest Bolge Subesi, Turkey
 Unilever Dominicana S.A.
 Elida Faberge Ltd.
 Towells Lever LLC, Arabia
 Binzagr Lever Limited, Arabia

Hind Lever Chemicals Ltd.
 (Also an Associate) (Upto 31st May, 2004)
 Unilever Industries Pvt. Ltd.
 Digital Securities Pvt. Ltd.
 Lever Faberge France
 Unilever Tanzania Ltd.
 Unilever Cambodia Ltd.
 Lever Faberge Belgium
 Unilever Maghreb Export SA, Tunisia
 Unilever Company Ltd., China
 Unilever UK & CN Holdings, UK
 Lipton Ltd. - UK
 Lever Faberge Europe, Netherlands
 Unilever (Malaysia) Holdings Sdn Berhad
 Lever Ponds South Africa
 Lever Ponds Division, Canada
 Europolma International Insurance Services B.V.
 Fine Tea Co., Egypt
 Lipton US Group
 Unilever Asia Private Ltd.
 Lever Faberge Italia SPA
 Unilever United States Inc.
 Hefei Lever Detergents Co. Ltd., China
 Unilever Korea
 Unilever Vietnam
 Unilever Canada - Foods
 Unilever Algeria
 Unilever Nigeria
 UAL Lever Rexona
 Lipton Ltd. (Head Office) / Lipton Tea Supply Ltd.
 Unilever Market Development SA

(ii) Joint Ventures :

SC Johnson Products Pvt. Ltd. (upto June, 2003)
 Kimberly - Clark Lever Pvt. Ltd.
 Quest International India Ltd.
 Lever Gist Brocades Pvt. Ltd. (upto September, 2003)

(iii) Associate :

Vashisti Detergents Ltd.

(iv) Key Management Personnel :

M.S. Banga
 M.K. Sharma
 A.S. Abhiraman
 A. Adhikari
 S.K. Dhall
 G. Kapur (upto July, 2004)
 A.K. Mathur
 J.H. Mehta
 S. Ravindranath
 D. Sehgal
 G. Singh (upto October, 2003)
 D. Sundaram
 A. Weijburg (upto April, 2004)

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

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

Related Party Disclosures

Disclosure of transactions between the Companies in the Group and Related parties and the status of outstanding balances as on 31st December, 2004

		2004 Rs. lakhs	2003 Rs. lakhs
(i)	Holding Company :		
	Dividend paid	437,14.37	1027,20.82
	Royalty paid	51,09.69	54,08.30
	Interest on 9% Debentures	42,91.96	21,63.62
	Debenture allotment money received	—	476,88.41
	Income from services rendered	88,25.03	41,73.94
	Outstanding balances :		
	- Payables at the year end	—	5,23.58
	- Receivables at the year end	9,80.83	—
	- Debenture Interest payable	21,51.69	21,63.62
	- 9% Debentures	476,88.41	476,88.41
(ii)	Fellow Subsidiaries :		
	Sale of finished goods / raw materials etc.	640,59.49	641,66.47
	Sale of fixed assets	4.50	—
	Sale of investments	185,93.97	502,94.35
	Interest received on sale of investments	4,44.08	11,08.51
	Royalty received	63.42	68.85
	Dividend received	—	9,47.76
	Rent received	1,10.00	1,10.00
	Interest received	—	79.02
	Income from services rendered	27,05.65	43,64.81
	Expenses shared by a fellow subsidiary	6.00	6,39.62
	Processing charges paid	18,72.92	39,99.68
	Purchase of goods	70,55.93	94,28.68
	Purchase of fixed assets	—	2,02.89
	Purchase of investments	169,88.85	441,24.98
	Interest paid on purchase of investments	3,54.53	9,61.64
	Advertisement Expenditure	10.74	1,72.76
	Interest paid	—	0.96
	Dividend paid	187,02.35	439,47.13
	Royalty paid	1,55.00	1,63.46
	Interest on 9% Debentures	18,36.23	9,25.66
	Debenture allotment money received	—	204,02.56
	9% Debenture outstanding	204,02.56	204,02.56
	Advances and loans :		
	- Receivables	168,92.34	160,45.27
	- Payables	14,75.40	14,01.37
	- Debenture interest payable	9,20.56	9,25.66
(iii)	Joint Ventures :		
	Purchase of goods	97,61.40	81,07.91
	Sale of finished goods / raw materials etc.	2.96	34.97
	Other income	1,66.86	—
	Advances and loans :		
	- Receivables	22.59	3,19.29
	- Payables	59.95	69.05
(iv)	Associate :		
	Processing charges paid	14,60.85	25,88.33
	Outstanding payable at the year end	7.11	6,40.74
	Sale of goods	3,97.57	—
(v)	Key Management Personnel :		
	Remuneration	12,40.69	14,69.32
	Rent paid	64.79	47.63
	Dividend paid	8.49	24.62
	Sale of fixed asset	—	5.11
	Interest on 9% Debentures	0.70	0.51
	Debenture allotment money received	—	11.43
	9% Debentures outstanding	7.47	11.43
	Debenture interest payable	0.34	0.51
	Advances and progress payments - Property Development Activity		
	- Sale of flat	—	1,96.85
	- Received during the year	—	96.79
	Loans - Outstanding at the year end	0.10	27.30
	- Advanced during the year	—	9.30
	- Repayments (including interest) during the year	27.20	5,14.82
(vi)	Employees' Benefit Plans where there is significant influence :		
	Contributions during the year	40,05.86	49,07.38
	Outstanding receivables at the year end	17,01.90	20,39.52

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

	2004 Rs. lakhs	2003 Rs. lakhs
Sale of finished goods / raw materials etc.		
Unilever Gulf Free Zone Establishment	293,40.13	295,26.41
Sale of fixed assets		
Lever Brothers Bangladesh Ltd.	4.50	—
M. K. Sharma	—	5.11
Sale of investments		
Hind Lever Chemicals Ltd.	173,90.05	449,27.26
Interest received on sale of Investments		
Hind Lever Chemicals Ltd.	4,04.47	9,55.29
Unilever Industries Pvt. Ltd.	—	1,40.08
Royalty received		
Lever Egypt SAE	63.42	68.85
Expenses shared by fellow subsidiary companies		
Digital Securities Pvt. Ltd.	6.00	—
Hind Lever Chemicals Ltd.	—	6,33.62
Dividend received		
Hind Lever Chemicals Ltd.	—	9,47.76
Rent received		
Unilever Industries Pvt. Ltd.	1,10.00	1,10.00
Processing charges paid		
Vashisti Detergents Ltd.	14,60.85	25,88.33
Hind Lever Chemicals Ltd.	18,72.92	39,98.45
Purchase of fixed assets		
Unilever Singapore Pte Ltd.	—	47.15
BBL Japan K.K.	—	44.57
Unilever (China) Limited	—	1,11.17
Purchase of goods		
Hind Lever Chemicals Ltd.	—	55,83.31
Kimberly - Clark Lever Pvt. Ltd.	81,75.28	66,85.45
Lipton Ltd.	28,08.59	—
Lever Faberge Deutschland GmbH	19,44.65	—
Purchase of investments		
Hind Lever Chemicals Ltd.	133,64.05	378,73.95
Unilever Industries Pvt. Ltd.	29,58.31	—
Interest paid on purchase of investments		
Hind Lever Chemicals Ltd.	3,16.65	8,72.89
Advertisement expenditure		
Unilever (Malaysia) Holdings Sdn Berhad	10.74	1,72.76
Rent paid		
M.S. Banga	18.92	18.92
M.K. Sharma	22.50	8.60
S. Ravindranath	—	5.97
Advances and loans advanced during the year		
M.S. Banga	—	3.07
M.K. Sharma	—	3.20
D. Sundaram	—	1.86
G. Kapur	—	1.17
Repayments (including interest) during the year		
M.K. Sharma	26.92	1,44.14
M.S. Banga	—	1,72.91
G. Kapur	—	99.46
D. Sundaram	—	97.47
Other income		
Kimberly - Clark Lever Pvt. Ltd.	1,66.86	—
Interest paid		
Hind Lever Chemicals Ltd.	—	0.96
Interest received		
Hind Lever Chemicals Ltd.	—	79.02

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

	2004 Rs. lakhs	2003 Rs. lakhs
Dividend paid		
Unilever PLC	437,14.37	1027,20.82
Royalty paid		
Unilever PLC	51,09.69	54,08.30
Interest on 9% Debentures		
Unilever PLC	42,91.96	21,63.62
Debenture allotment money received		
Unilever PLC	—	476,88.41
9% Debentures outstanding		
Unilever PLC	476,88.41	476,88.41
Outstanding balances - payables at the year end		
Vashisti Detergents Ltd.	—	6,40.74
Lipton Ltd.	3,49.46	—
Lever Faberge Deutschland GmbH	2,06.12	—
Unilever Gulf Free Zone Establishment	2,00.20	—
Unilever U.K. Central Resources Ltd.	2,08.03	—
Unilever N.V.	2,02.82	—
Outstanding balances - receivables at the year end		
Unilever Gulf Free Zone Establishment	71,06.38	58,11.70
Income from services rendered		
Unilever PLC	88,25.03	41,73.94
Unilever Industries Pvt. Ltd.	15,45.98	11,15.95
Unilever U.K. Central Resources Ltd.	—	25,95.41
Outstanding balances - Debenture interest payable		
Unilever PLC	21,51.69	21,63.62
Remuneration		
M.S. Banga	—	2,46.59
M.K. Sharma	1,64.01	1,49.11
A. Adhikari	1,31.41	—
S. Ravindranath	1,41.61	—
D. Sundaram	1,41.18	—
Advances and progress payments - Property Development Activity		
- Sale of Flat		
M.K. Sharma	—	1,96.85
-Received during the year		
M.K. Sharma	—	96.79
Contributions during the year		
The Union Provident Fund	5,54.86	5,28.33
Hindustan Lever Gratuity Fund	10,14.97	15,25.50
The Hind Lever Pension Fund	12,53.61	10,58.09
The Hind Lever Provident Fund	10,42.07	—
Hindustan Lever Limited Employees Superannuation Fund	—	13,04.30

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

1. We have audited the attached consolidated Balance Sheet of Hindustan Lever Limited and its subsidiaries (the Group) as at 31st December, 2004 and the related consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary and a joint venture whose financial statements reflect the Group's share of total assets of Rs. 128,10.35 lakhs as at 31st December, 2004 and the Group's share of total revenues of Rs. 140,89.52 lakhs and net cash inflows amounting to Rs. 5,84.83 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiary and a joint venture have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this subsidiary and the joint venture is based solely on the reports of the other auditors. The financial statements and other information of the other joint venture and the associates for the period/year ended 31st December, 2004 have been certified by their Directors, whose certificates have been furnished to us, and our opinion, in so far as it relates to amounts included in respect of the joint venture and the associates, is based solely on these certificates.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports/certificates of other auditors/directors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st December, 2004;
 - (ii) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date, and
 - (iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Thomas Mathew
Partner
Membership No. 50087
 For and on behalf of
 LOVELOCK & LEWES
Chartered Accountants

Mumbai : 11th February, 2005

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company (1)	Financial Year Ending of the Subsidiary (2)	Number of Shares Held (3)	Extent of Holding (4)	For Financial Year of the Subsidiary		For the Previous Financial Years since it became a subsidiary	
				Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (Except to the extent dealt with in Col. 6) (5)	Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (6)	Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (Except to the extent dealt with in Col. 8) (7)	Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (8)
Lipton India Exports Limited	31.12.2004	480,000	100.00%	Rs. lakhs (1,02,46.68)	Rs. lakhs —	Rs. lakhs 254,65.56	Rs. lakhs 136,80.00
Indexport Limited	31.12.2004	2,510,000	100.00%	(8,72.15)	—	100,05.39	60,86.75
Bon Limited	31.12.2004	50,000	100.00%	(10.80)	—	17.38	—
Nepal Lever Limited - (Nepalese Rs.)	15.07.2004	736,560	80.00%	10,37.24	7,36.56	43,03.13	21,72.26
(Ashaad 31, 2061)							
- (Indian Rs.)							
Lever India Exports Limited	31.12.2004	30,000	100.00%	6,48.27	4,59.94	26,89.46	13,57.51
Merryweather Food Products Limited	31.12.2004	846,000	100.00%	42,39.20	29,55.00	207,99.93	156,51.00
International Fisheries Limited	31.12.2004	296,240	99.98%	1,47.05	—	(502.14)	—
Modern Food Industries (India) Limited	31.12.2004	147,550	100.00%	(7.76)	—	(613.78)	—
Daverashola Tea Company Limited	31.12.2004	12,000	100.00%	(9,84.38)	—	(69,52.74)	—
Pond's Exports Limited	31.12.2004	9,800,147	100.00%	1.99	—	18.96	—
Thiashola Tea Company Limited	31.12.2004	50,000	100.00%	2,31.91	—	(1,00.25)	—
Indigo Lever Shared Services Limited	31.12.2004	5,000	100.00%	0.43	—	7.02	—
Rosell Industries Limited*	31.12.2004	6,185,642	61.13%	(67.20)	—	(2,63.49)	—
TOC Disinfectants Limited**	31.12.2004	108,896,140	99.00%	(6,95.01)	—	(19,28.49)	—
Modern Food and Nutrition Industries Limited ***	31.12.2004	50,006	100.00%	(8,63.01)	—	(5,94.14)	—
				—	—	(4.99)	—

Changes in Company's interest in Nepal Lever Limited between 16th July, 2004 and 31st December, 2004 : **NIL**
Material changes between 16th July, 2004 and 31st December, 2004 in respect of the fixed assets of, investments of, moneys lent and moneys borrowed (other than meeting current liabilities) by Nepal Lever Ltd. : **NIL**

* 61,85,642 shares of 1,01,19,055 shares are held by Lipton India Exports Limited.

** 10,88,96,140 shares of 11,00,00,160 shares are held by Indexport Limited and Lever India Export Limited.

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

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

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

Vice Chairman
Finance Director
Vice President - Finance
Company Secretary

Mumbai : 11th February, 2005