

vitality



HINDUSTAN LEVER LIMITED
REPORT AND ACCOUNTS 2003

Our Corporate Purpose



Our purpose in Hindustan Lever is to meet the everyday needs of people everywhere - to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

Our deep roots in local cultures and markets are our unparalleled inheritance and the foundation of our future growth. We will bring our wealth of local knowledge and international expertise to the service of our consumers.

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

We believe that to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live.

This is Hindustan Lever's road to sustainable, profitable growth for our business and long-term value creation for our shareholders and employees.

Meeting everyday needs of people everywhere

Our consumers are the inspiration behind our very purpose.

Our understanding of consumers comes from our long and rich history in India. We are committed to fulfilling their aspirations with our wide range of products and services. Our brands are household names across rural and urban India. Powered by deep consumer insight and global technology, our brands strive to exceed the expectations of a billion Indians, with exciting innovations that provide great value.

As India's leading consumer goods company, it is our endeavour to delight our consumers, to build a place for our brands in every Indian's life, to create enduring relationships in meeting the everyday needs of people everywhere, and enabling them to get more out of life.

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Chairman's Statement

Dear Shareholders,

The economic and consumer landscape in India is changing rapidly and for the better. The explosion of choices in recent years has provided new excitement for consumers. The reduction in interest rates has made access to housing, durables and other desired goods and services much easier. This multitude of new choices has led to a shift in consumer spending patterns, leading to stagnation of FMCG markets in recent years. I believe this stagnation is only a transitory phenomenon. FMCG is only 4-5% of the overall household spend and with low per capita consumption, the opportunity for growth is huge. Brilliant marketing, **EXCITING OPPORTUNITY FOR GROWTH** creating innovative products that attract consumers and deliver great value will drive growth of the FMCG market. Hindustan Lever with its trusted brands and strong marketing capabilities is well poised to realise this huge opportunity.

You will recall the strategy we had outlined in early 2001. In the last 3 years, we have made good progress and delivered profitable growth through focus. We have divested our non-core businesses and focused the company on FMCG. The non-FMCG business is now only **FOCUSED COMPANY; POWERFUL BRANDS** 8% of the company against 24% three years ago.

We have also focused our brand portfolio and now have 35 powerful brands across categories which cater to consumers across various income segments.

We have considerably improved the shape of our Foods business, with gross margin improvement of about 13% in the last 3 years. The improved margin profile now enables us to invest strongly behind our foods brands. In the last 3 years we have made a foray into several new areas and seeded our new ventures. Ayush our Ayurveda brand, Max Confectionery and Hindustan Lever Network are all initiatives that will give us rich dividends in the future. Our continued focus on operational efficiencies and cost reduction has resulted in very good improvement in our operating margins. Operating margins in the last 3 years have improved 610 basis points and increased to over 21% in 2003. We remain committed to delivering excellent value to our shareholders. EPS in 2003 was a strong Rs. 8.05 against Rs. 5.95 in 2000. Dividend per share in 2003 was Rs. 5.50, up from Rs. 3.50 in 2000. In addition, we have returned cash of Rs. 1928 Crores to our shareholders through the Bonus Debenture scheme. Economic Value Added (EVA), which is a good measure of value creation, increased to Rs. 1429 Crores in 2003 a growth of 19% per annum in the last 3 years.

REWARDING SHAREHOLDERS

↑
EPS

↑
DIVIDEND

As we enter the next phase of our strategy, our opportunity is to realise the tremendous growth prospects that the Indian market presents. Consumer aspirations are growing and they want to look good , feel good and get more out of life. Hindustan Lever's brands in Home and Personal Care and Foods are strongly positioned to

SHAREHOLDER VALUE THROUGH OUTSTANDING CONSUMER VALUE

fulfill these growing aspirations. In this scenario, we will create shareholder value by delivering outstanding consumer value. As the largest FMCG player with trusted brands, we will drive the agenda for our categories. We will deliver a continuous stream of consumer relevant innovation across our brands. We have invested in superior quality for our brands improving performance, sensorials and packaging. Competitive pricing is another critical success factor. We have made some of our leading brands more affordable, bringing them within reach of the masses with attractive low price points. We have already made most of the required investments in upgrading quality and in ensuring competitive pricing. These should enable us to accelerate growth into the future. Given the scope of the opportunity in India, we are witnessing a heightened degree of competition and will continue to take all steps to defend and build our market position for the long-term. The higher investments required for our brands and fighting competition require us to focus relentlessly on cost reduction. We have identified a specific 'Ten Point Program' for rebuilding margins. We will leverage our scale fully in supply chain, logistics and buying to drive lower costs. The program will bring all round focus on operational efficiencies and costs and is an important building block.

We have built several new capabilities which position us strongly. The supply chain and IT capabilities that we have built over the years enable us to deliver excellent customer service and lower our costs. We are leveraging HLL scale in Modern Trade and rural India, and are developing new channels in Out-of-Home and Direct Marketing. We have geared our marketing resources to separately focus on innovation and activation. People are our greatest asset and we continue our emphasis on building an Enterprise Culture throughout the company. Development of our people is highest priority.

Now that we have focussed the company on the FMCG business and a portfolio of powerful brands, we have simplified the organisation. We have integrated our businesses into 2 divisions – Home and Personal Care (HPC) and Foods. HPC Division comprises Detergents, Personal Products and HPC Export businesses and Foods Division comprises the **Simpler Organisation** Beverages, Processed Foods, Ice cream, Confectionery and Beverages Export businesses. This divisional organisation provides us higher degree of empowerment, speed and simplicity. The structure also enables optimal allocation of resources and harnessing of synergy benefits. The new HLL is thus better poised to address the exciting opportunities that the future presents.

We are committed to delivering outstanding consumer value through our strong brands and our committed people. Our strengthened organisation and execution capabilities place us well to realise the potential of our brands. Rewarding you, our shareholders is our prime objective and we are confident of delivering outstanding value to you.

With best wishes,



M. S. Banga
Chairman



Beauty is more than skin deep. It is every woman's desire to look beautiful, feel good and get the confidence to do more with life.

And this is a timeless aspiration. Our consumers have entrusted us

with their most precious aspiration and our wide array of beauty products fulfills this.

Our range of Personal Care products has some of India's most trusted

brands. Lux is the quintessential brand of stars and Lakme sets fashion

Fair & Lovely

trends, adding glamour to life. Fair & Lovely

empowers women to change their destiny,



LAKME



while Aviance offers customised beauty solutions to the discerning woman, enhancing her individual look. And Sunsilk gives you naturally beautiful hair. Ponds makes women as beautiful as they want to be.

All these brands have been built on a combination of foresight, technology, research

and constant innovation, making them leaders in the market. We are devoted to the celebration of life, to make our consumers look good, feel good and get more out of life.



aviance
BEAUTY SOLUTIONS



beauty



health &



Good health is a universal desire. And personal and home hygiene is the foundation to ensuring good health. Our brands provide healthy and clean living for families, while making the daily chores of the housewife easier. Lifebuoy

strives to secure the health of a billion Indians – a mission that has inspired us to educate over 70 million rural Indians about the benefits of personal hygiene. Pepsodent helps families in maintaining healthy and clean teeth by offering unbeatable germ protection. Families rediscover the age old tradition of ayurveda in a contemporary format through



hygiene



Ayush which offers authentic ayurvedic products and therapies.



Surf Excel allows mothers the freedom to let their children play,

get dirty and enjoy childhood without worrying about stains. Domex and Vim take care



of the cleanliness and hygiene in kitchens and homes. We constantly

adapt our products to the changing lifestyles and the ever-changing

needs of our consumers. Our brands enjoy leading market

positions and strong trust of our consumers. We promise and deliver health

and hygiene solutions, enabling our

consumers to get more out of life.



refresh



Every effort in the way of life requires a pit stop - to refresh, rejuvenate and restore the energy required to enjoy the richness life has to offer. Our consumers enjoy a variety of refreshment

options from our Food and Beverages portfolio - choices for all seasons and people everywhere.

Be it tea, coffee, squashes, or ice-creams, we have a wide range that refreshes people all over India, from adults to children, from families to individuals.

Brooke Bond with its rich heritage of tea offers Taj Mahal, Red

Label, 3 Roses and Taaza - brands that add cheer to life



ment



BRU

in all its myriad moments. Lipton, the cool hip brand, is the new, exciting, natural refreshment choice for our young consumers. Bru coffee delivers great taste and enhances the happiness of sharing with family and friends.

Kwality Wall's ice-cream brings happiness and indulgence delighting consumers everywhere, everyday. Our brands are led by innovation, expertise and technology to consistently offer

better products to our consumers and refresh them to get more out of life.

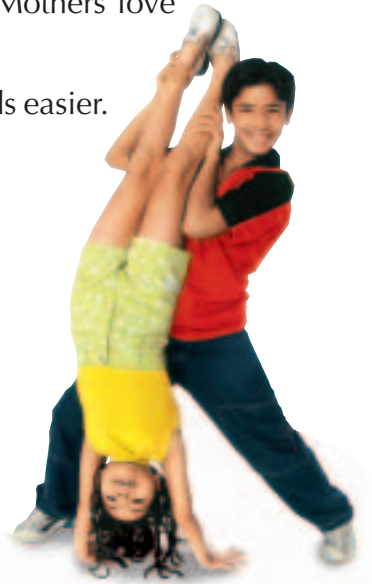




With a change in the pace of life has come an active consciousness about nutrition and health. Mothers want to give their children healthy and wholesome food to promote their progress. A good start to a child's day is every mother's prime focus. The Kissan range offers

wholesome products that delight children. Mothers love

Kissan too, as the great taste makes the task of providing nourishment to kids easier.



nutrit





Knorr Annapurna is our culinary brand that helps mothers create delightful taste experiences. The products add magic to cooking, making delicious and wholesome meals that enhance a mother's role. These brands and our product range have been built on a

keen understanding of local tastes backed by global technology.

Providing delightful taste experiences and nutrition to our consumers

is our commitment to help them get more out of life.



ion



growth through vitality





Our mission

Our mission is to add vitality to life.

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

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

COMPANY SECRETARY

O.P. Agarwal

REGISTERED OFFICE

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

SOLICITORS

Crawford Bayley & Co.

AUDITORS

A. F. Ferguson & Co.
Lovelock & Lewes

A. Narayan
Director



V. Narayanan
Director



D. S. Parekh
Director



C. K. Prahalad
Director



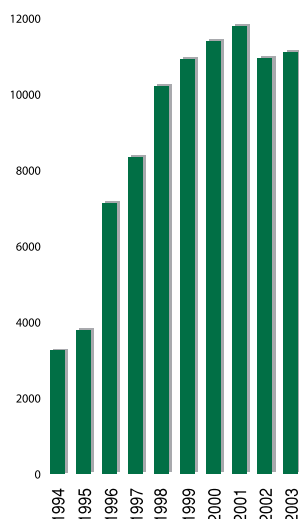
S. Ramadorai
Director



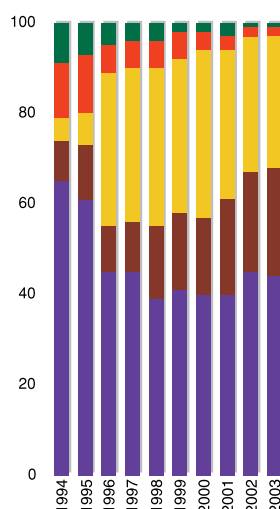
BANKERS

- 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

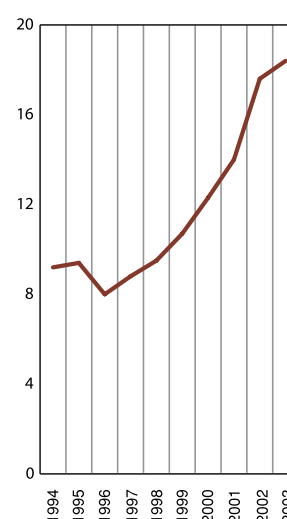
Performance Trends 1994-2003



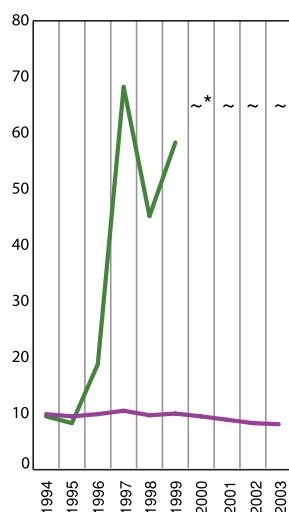
Gross Sales
(Rs. Crores)



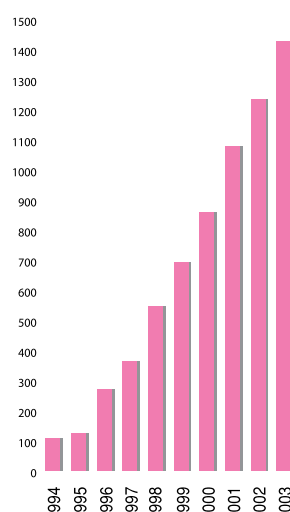
By Segment as % of Sales



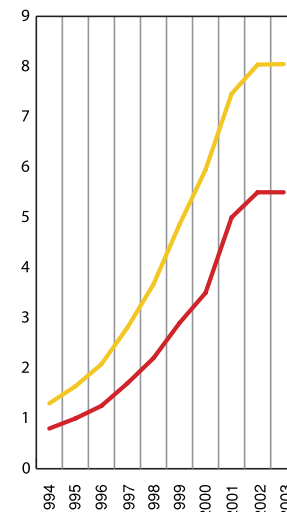
EBIT as % of Sales



Asset Turnover



Economic Value Added (EVA)
(Rs. Crores)



Earnings & Dividend per Shares
(Rs.)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
# Gross Sales (Rs. Crores)	3,240	3,775	7,120	8,343	10,215	10,918	11,392	11,781	10,952	11,096
By Segment % of Sales										
Soaps, Detergents & Household Care	65	61	45	45	39	41	40	40	45	44
Personal Products	9	12	10	11	16	17	17	21	22	24
Foods	5	7	34	34	35	34	37	33	30	29
Chemicals, Agri, Fertilizers & Animal Feeds	12	13	6	6	6	6	4	3	2	2
Others	9	7	5	4	4	2	2	3	1	1
EBIT as % of Sales	9.2	9.4	8.0	8.8	9.5	10.7	12.3	14.0	17.6	18.4
Fixed Assets Turnover (times)	9.9	9.5	9.9	10.5	9.7	10.0	9.5	8.9	8.3	8.1
Working Capital Turnover (times)	9.5	8.3	18.8	68.2	45.2	58.3	~*	~	~	~
Economic Value Added (EVA) (Rs. Crores)	107	126	272	365	548	694	858	1,080	1,236	1,429
E.P.S. of Re. 1 @	1.30	1.64	2.08	2.81	3.67	4.86	5.95	7.46	8.04	8.05
D.P.S. of Re. 1 @	0.80	1.00	1.25	1.70	2.20	2.90	3.50	5.00	5.50	5.50
PAT / Net Sales (%)	5.9	6.3	5.8	7.0	8.2	9.8	11.5	13.1	15.8	16.3
R.O.C.E. (%)	48.5	49.1	52.9	61.1	58.7	61.8	64.6	62.4	59.4	60.2
R.O.N.W. (%)	35.3	37.5	41.6	46.0	48.9	50.9	52.7	53.9	48.4	82.8

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 2003 is summarised below :

Rs. Lakhs

	2003	2002
Gross turnover	11096,02	10951,61
Turnover, net of excise	10138,35	9954,85
Profit before tax	2244,95	2197,12
Tax on profits	(440,61)	(465,80)
Exceptional Items	(32,55)	38,42
Net profit	1771,79	1769,74
Dividend (incl. tax on distributed profits)	(1973,35)	(1154,55)
Transfer to General Reserve	(178,00)	(177,00)
Profit & Loss Account balance carried forward	818,61	1198,16

Net Turnover for the year increased by 1.8%. The continuing business turnover (after adjusting for disposals and discontinued businesses) recorded a growth of 4.3%.

1.2 Summarised Profit and Loss Account

Rs. Lakhs

For the year ended 31 December	2003	2002	Growth%
Net sales	10138,35	9954,85	1.8
Other income	459,83	384,55	19.6
Total income	10598,18	10339,40	2.5
Operating expenses	(8161,68)	(7999,00)	2.0
PBDIT	2436,50	2340,40	4.1
Depreciation	(124,78)	(134,10)	(6.9)
PBIT	2311,72	2206,30	4.8
Interest	(66,77)	(9,18)	627.3
Profit Before Taxation (PBT)			
and exceptional items	2244,95	2197,12	2.2
Taxation : Current tax	(427,36)	(458,94)	(6.9)
Taxation : Deferred tax	(60,94)	(20,91)	191.4
Taxation adjustments of previous years (net)	47,69	14,05	239.4
Profit After Taxation (PAT)			
and before exceptional items	1804,34	1731,32	4.2
Exceptional items (net of tax)	(32,55)	38,42	(184.7)
Net profit	1771,79	1769,74	0.1

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 practising the principles of good corporate governance over the years.

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

4. MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Similar to the practice adopted in the year 2002, this Report includes MD&A as appropriate so that duplication and overlap between Directors Report and a separate MD&A is avoided. The entire material is thus provided in a composite and comprehensive document.

5. PERFORMANCE HIGHLIGHTS FOR PRODUCT CATEGORIES

5.1 Home and Personal Care Business

5.1.1 Soaps & Detergents

The market conditions continued to be sluggish in 2003 with continued down trading. Significant investments were made to kickstart growth in Premium Laundry and Personal Wash categories, enhancing consumer value and quality.

Lux & Lifebuoy recorded strong growth, increasing market shares and further consolidating the leadership positions in the Personal Wash category.

A number of innovations were launched in the Laundry portfolio. Rin Supreme Bar was relaunched with a 'No Mud Residue' proposition entailing significant investment in product quality. Surf Excel was relaunched with proprietary technology. The new Surf Excel Quickwash reduces time taken for rinsing by as much as 50%, thus saving significantly on water used in Laundry. This is a technological breakthrough, with enormous consumer benefit. Wheel continued its momentum growing by a strong 7% and consolidating its position as the largest laundry brand in the country.

From the cost perspective, 2003 was a difficult year, primarily due to significant rise in oil prices and firming up of international cargo rates. Use of alternative materials and cost effectiveness programmes helped mitigate the impact of cost increases. Savings generated through these initiatives were re-invested in superior quality and competitive pricing. Operating margins were thus lower in 2003 compared to 2002.

New manufacturing plants commissioned in the last few years are performing well and related supply chain and tax benefits are fully being realised. Total Productive Maintenance (TPM) continues to be a thrust area in manufacturing. Nine units have cleared the Level One TPM award. Productivity, Quality and Safety continue to be the focus areas across manufacturing sites in the country. The supply chain is being strengthened further to improve customer service. Towards this modernisation & mechanisation of the Distribution Centres at key sites was undertaken during the year.

Vasishti Detergents Limited (VDL)

VDL continued to produce soaps and detergents for the Company. In the current year it improved its productivity and significantly contributed in servicing demand for low unit packs. VDL received the Level 1 TPM Award and Unilever Gold Award for safety in the current year.

5.1.2 Personal Products

The Personal Products business had an excellent year, with strong growth across categories and brands. The sales value grew by 15% led by growth in volumes. Continued focus on innovation, and appropriate pricing were the key growth drivers. The business aggressively pursued cost effectiveness programs, which helped neutralise the impact of price reductions. Driving affordability continued to be a key thrust for the business.

The Oral Care Category had a very good year with Pepsodent continuing to increase its market shares, despite stiff competition from established and new low price players. New attractive price points were pioneered to stimulate consumption resulting in encouraging volume growth. Pepsodent was relaunched in with improved formulation, and a new “Family Flavour” variant was introduced. A new 25 gram pack priced at Rs.5 was launched, and is doing well especially in rural markets.

The Hair Care category recorded good growth, led by a surge in the 50p and Re.1 sachet packs, and the small 40 ml bottle pack priced at Rs.10 – a first in the market. Sunsilk was relaunched with international packaging, improved formulations and new variants, and has seen very good consumer response. Your Company is confident that the strategy of focussing on sachets and the low priced bottle packs, along with brand building activities on Sunsilk and Clinic, will lead to growth in this category.

The Skin Care category recorded excellent growth for the third consecutive year. Fair & Lovely, Pond’s and Vaseline, all recorded double digit growth. The category continued its focus on innovation and strong market activation. A new variant of Fair & Lovely – the ‘Anti-Marks’ cream was launched and has been received well. Pond’s Talcum Powder was relaunched with unique, consumer-friendly packaging, and the results are very encouraging. The price of the small 20g pack was reduced from Rs.6.50 to Rs.5 to enlarge user base in the rural areas. Pond’s Cold Cream continued to grow in volumes and value, with good sales in rural markets. The Vaseline brand grew strongly led by the Rs.5 pack.

Lakme also recorded strong growth in both Colour Cosmetics and Skin Care. Several new introductions were successful, prominent amongst them the Lakme Face Magic Souffle, Lakme Wintercare Lotions and the ‘True Wear’ range

of nail enamel. The Lakme Beauty Salon business expanded its network to 57 locations, with continued focus on staff training, improving quality of service and gaining customer loyalty. In the Deodorants and Male Toiletries category, Rexona and Axe saw focussed marketing activities. Rexona was relaunched with international quality packaging and fragrances and Axe continued to grow in the male toiletry range. Deodorant brands continue to be severely impacted by the huge presence of imported ‘grey’ products in the market. This phenomenon has not only resulted in revenue leakage to the Government, but also adversely impacts the image of your Company’s brands in the market place.

Your Company had launched the Lever Ayush range of Ayurvedic products in 2002, aimed at providing health and beauty benefits by bringing together the authentic knowledge of Ayurveda and the efficacy of modern science. These products are based on unique formulations endorsed by the reputed Arya Vaidya Pharmacy, Coimbatore and rigorous test protocols. The Lever Ayush brand is now gaining ground in select geographies. The Ayush brand experience is being enhanced further through the Ayush Therapy Centres.

Relentless focus on cost reduction programmes resulted in significant benefits. Your Company was able to achieve several breakthroughs in factory efficiencies, resulting in significant productivity gains and conversion cost, optimisation. In 2003, a ‘Supplier Quality Upgradation and Integration Programme’ was launched with good results. The benefits of this programme have been shared with the concerned vendors. A new Toothpaste Unit was commissioned in Doom Dooma - Assam, and operations were stabilised within four months despite the turbulence in Assam. The Personal Product factories continue to pursue TPM and are according high priority to quality and Safety across all sites.

Indexport Ltd.

Indexport Ltd. which is a 100% subsidiary of your Company performed well with good gains in the value added hair oils range, led by Nihar.

Kimberly - Clark Lever Private Ltd.

Kimberly - Clark Lever Private Ltd. (KCLL), the joint venture between your Company and Kimberly Clark, continued its excellent performance. KCLL recorded good sales growth led by higher volumes. Profit before taxes increased strongly due to the combined effect of turnover growth and operational efficiencies. KCLL is the market leader in the growing diapers market, and the year saw a successful relaunch of the Huggies diapers range. Kotex brand of sanitary napkins made good progress during 2003.

5.1.3 Home and Personal Care (HPC) Exports

HPC Exports achieved a good growth of 7% in 2003 – despite a sharp appreciation of the Rupee against the Dollar. Growth was fuelled by an upturn in Skin Care exports, particularly Fair & Lovely and Dove range. Pears Soap grew through focussed sales and marketing efforts in key markets including the U.K., U.S.A. and the Middle East. During the year sourcing to Unilever companies accounted for over 80% of HPC Exports.

5.2 Beverages**5.2.1 Tea, Instant Tea and Coffee**

The packet tea market declined by 10% during the year. Easy availability of loose tea at record low prices led to further proliferation of low priced regional brands and downtrading from packet tea to loose tea.

Your company continued its focus on building a strong branded Beverages business. Brooke Bond Master brand was launched during the year with a significantly improved

mix. The launch was supported by high impact communication. The sub-brands viz. Taj, Red Label, 3 Roses and Taaza were positioned under the Brooke Bond Master brand. A number of micro marketing activities were implemented to build Brooke Bond as a mega brand nationally. These efforts were successful and all the sub-brands grew well.

Lipton, the globally successful brand led our foray into the youth and natural drinks segment. Lipton Ice Tea was launched in Bangalore and Chennai with world class visibility and wide distribution. The Lipton brand achieved significant growth.

Instant Coffee continued its record of excellent growth with Bru gaining sales well ahead of the market. The growth has been achieved through geographical expansion, introduction of affordable consumer packs and innovative market activation.

The business continued to focus driving growth in Out-of-Home channels through Vending and Hot Tea operations. The results were very encouraging and the channel registered handsome growth.

5.2.2 Plantations

2003 was another challenging year for the tea plantation industry. Abundant supplies and slow-down in exports continue to adversely impact the prices. This has affected the viability of the business. The profitability was further eroded by high labour cost and associated social cost.

In this context your company focussed on improving productivity and quality in Assam and South India to ensure better product mix and improved quality.

The Sustainable Agriculture Project continues to progress well. The project focusses on using renewable resources in preference to non-renewable ones. The project includes

soil improvement practices, reducing our dependence on inorganic fertilizers with use of organic and bio-fertilizers and use of relatively safe pesticides. Thiashola Tea Estate in South India, was certified as 'Organic' by IMO, Switzerland during the year. In the area of community development, a third school for physically and mentally challenged children called 'Anbagam' or 'Shelter of Love' was opened in Daverashola Group in South India.

Rossell Industries Limited (RIL)

Rossell Industries Limited had another challenging year like the rest of the tea plantation industry. The company was impacted by weak tea prices and higher costs.

5.2.3 Beverages Exports

Beverages exports business of your company had an excellent year with sales growth of 18%. This was achieved despite appreciation in the Rupee and the political tensions in the Middle East. Most of the exports were in value added tea bags and packet tea exported to developed markets like the USA, Australia, Japan, UAE and South East Asian countries. The world class-manufacturing unit in Pune has developed capabilities to supply tea bags to any part of the world at competitive costs. This has helped us in expanding our consumer base significantly. Reflecting the success of the Iced Tea business globally, our Instant Tea Unit in Etah recorded handsome growth and doubled its customer base. Leading edge capabilities have been developed in sourcing and blend development at the Tea Excellence Centre in Kolkata to develop products for any international market. This will help us in aggressively seeking opportunities to grow our value added export business in the years to come. 3-in-1 tea premix facilities have stabilised at Cochin and are regularly servicing customers in the South East Asian regions. Coffee beans export continued to be a thrust area, and your Company has become one of the top three exporters in the country. During the year sourcing to

Unilever companies accounted for over 70% of Beverage Exports.

5.2.4 Pepsi Foods – Strategic Alliance

Your company and Pepsi have formed a strategic alliance that pools the respective strengths of both companies. The alliance will advance Lipton's position in the Indian RTD tea market, a fast-growing beverage category. From your company's perspective, the alliance is in line with the company's growth strategy to move in new channels and drive new categories for sustained future growth.

5.3 Foods

The Foods business of your company is now focussed on two brands – Kissan, the kids and family nutrition brand and Knorr Annapurna, the culinary brand. The Kissan range was re-launched and performed well across categories with increase in sales and market share. Knorr Annapurna Salt was also successfully relaunched resulting in good growth in a competitive market. Knorr Annapurna Salt is the only salt with stable iodine that does not get lost in storage and most cooking conditions. Innovations such as Kissan Greedy Bistix, Kissan Mr. Fruit, Knorr Annapurna Soupy Snax were launched during 2003 and met with success. With strengthened brands and successful innovations, the business is poised to grow well into the future.

Modern Foods Industries (India) Ltd. (MFIL)

The Bread business of MFIL continued to grow in 2003. MFIL has developed and introduced Atta Bread, a wholesome nutritional offering with the goodness of Atta under the Kissan brand. Despite raw material price increases, the bread business improved gross margins through focussed supply chain initiatives and improvement in manufacturing efficiencies. The company was adversely impacted by the cessation of the Supplementary Nutritional Foods (SNF) business, due to discontinuance of orders from

UP and Rajasthan state governments. Consequently the Delhi SNF unit has been closed.

5.4 Ice Creams

The Ice Cream business launched a range of differentiated products backed by innovation and aggressive activation in 2003. Simultaneously it sustained its focus on the supply chain, further improving the cost structure. This is in line with the business strategy focussing on the Power Brand Kwaliti Wall's, differentiated products, concentration on key markets and a re-engineered supply chain.

The Ice Cream industry was impacted by a severe winter at the beginning of the year and by the nationwide transport strike in the peak season of April. The business continued the excitement in the market in the second half of the year by launching new products. Among the major launches of the year were premium products, like Viennetta Cappuccino Nut, Double Sundaes, Super Cornetto Triple Choc, and Feast Almond Fudge. Kwaliti Wall's Max, for children, was relaunched with exciting offerings, like Rainbow and Twister, backed by an exciting activation 'Bano Toonstar'. The market has responded well to the initiatives.

Merry Weather Food Products Limited

Merry Weather Foods Products Limited posted a profit (before exceptional) of Rs. 26 lakhs (2002 Rs. 85 lakhs). Overall sales have declined to Rs.6,27 lakhs (2002 Rs. 6,98 lakhs).

5.5 Speciality Exports

In the backdrop of difficult export market conditions caused by significant rupee appreciation, lower export incentives and low cost Chinese competition, the Speciality Exports (continuing) business declined during the year.

The performance by individual businesses is summarised below:

5.5.1 Marine

The Marine business declined by 6% largely on account of rupee appreciation and market conditions. Whereas the Marine industry reported a decline in Exports by nearly 20%, your company sales in dollar terms were maintained. The company's share of Indian Marine Exports increased to over 5%. Several new geographies like Australia, Taiwan, Greece and Bulgaria and many new customers in the US were added during the year.

The Amalgam seafood business was acquired during 2003 and has since been fully integrated. Your Company is now fully represented on the entire Indian coastline with sourcing network and production facilities on East as well as on West Coast. The Amalgam business recorded good growth in dollar terms during 2003.

The Surimi business declined due to recession and low prices in Japan in the second half of 2003. The second crabsticks line was successfully commissioned in Chorwad factory. The Crabsticks business recorded good growth.

The Shrimps manufacturers in the US have filed a suit in the US for levying anti dumping duty on shrimp import from 6 countries including India. The company is taking steps to defend its position.

5.5.2 Agri & Castor

Due to drought in 2002, the year 2003 witnessed an all time low crop of castor oil and highly volatile prices in the first half of 2003. In this context your Company focussed on export of Oil and Derivatives. The business recorded good growth, led by excellent performance in Derivatives. Your Company was awarded the Globoil Gold award for the year ending 31st March, 2003.

5.5.3 Rice

The Rice business performed very well recording good growth. The branded business is developing well and yielded good results. Your company continues to focus its efforts in growing high value added segment.

The popular brand 'Rozana', launched in 2002, was rolled out and recorded excellent growth during the year. A new product, 9-minute Basmati Rice Meal Kits was launched in the Middle East with several variants. This is a high value added product providing the consumer an opportunity to prepare Basmati based products in 9 minutes and has been well received in the market. The flagship brand 'Gold Seal Indus Valley Rice' continued to do well.

Your Company has undertaken Contract farming in Punjab for Rice and procured over 5000 tons of paddy through this route during the year. This has given an edge in maintaining seeds to shelf tractability as well as achieving dis-intermediation.

5.5.4 Leather – Pond's Exports Limited

Despite a decline in Leather Upper exports and a flat performance in Footwear exports from India, the business delivered a strong performance, growing by 11% during 2003. Anticipating the changes in market conditions, several new customers were added, both in Footwear and Upper divisions. A significant improvement due to cost efficiencies was achieved in margins across both business segments.

The productivity level in the Footwear factory has increased and the new product and design development has remained the focus throughout the year. New ranges of Ladies sandals and children shoes have been added to the product portfolio.

5.5.5 Mushrooms – KICM (Madras) Limited

An MOU was signed to transfer the business to a NRI based in the US, effective from August 1, 2003. Subsequently, the

FIPB approval has been received. The business is in the process of being transferred.

5.6 New Ventures

5.6.1 Confectionery

The Confectionery business was consolidated in 2003.

The Max confectionery portfolio was strengthened with several initiatives. ToffyMax in two flavours and MaxMint was launched and, MaxCrackler, a well-differentiated popping candy at Rs.2 price point was test marketed. The Max brand is continuing to gain in strength in the Hard Boiled Candy market.

5.6.2 HLL Network

Your company took a strong initiative in the Rs. 1800 crore Direct Selling channel with the launch of Hindustan Lever Network in early 2003. Hindustan Lever Network, built on the learnings acquired in Aviance business for over 4 years, is now a multi-category network marketing business opportunity for male and female entrepreneurs. With Hindustan Lever Network, your company expanded its presence into 8 new categories during the year backed by a New Age Compensation plan for rewarding its Consultants and several other support initiatives. Based on the superior consumer understanding as well as access to world class technology, over 25 new products were launched during the year across Home Care, Laundry Care, Oral Care, Confectionery, Personal Wash, Consumer Health Care and other categories. These new launches generated high consumer acceptance across the country.

The number of service centres trebled from 13 to 42 and the number of towns covered increased from 525 in 2002 to over 1400 in 2003. Capabilities in Information Technology, Supply Chain and Banking were further upgraded to provide superior service to our Consultants and achieve sustainable competitive advantage.

Hindustan Lever Network has progressed very well with manifold sales growth and trebling of the consultant base.

5.6.3 Rural connectivity

Project Shakti is an initiative to create income-generating capabilities for underprivileged rural women. Under this initiative, women Self-Help Groups (SHGs) are trained to sell our products in their villages and neighboring businesses. For the SHG women this translates into critically needed sustainable income contributing to better living standards and prosperity. For us, it provides access into hitherto unexplored rural hinterlands.

This model was piloted in Andhra Pradesh in 2001. In 2003 it was extended to over 2,800 Shakti Entrepreneurs covering over 12,000 villages in 105 districts in Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh & Chattisgarh.

State Governments as well as NGO's are actively involved with your company in the implementation of this project. The response has been encouraging. A typical Shakti entrepreneur earns an income in excess of Rs.1000 per month on a sustainable basis. As most of these women are from below the poverty line, and live in extremely small villages (less than 2000 population), this earning is very significant and is almost double of their past household income. For most of these families, Project Shakti is creating opportunities to live in conditions of dignity with real freedom from want.

Your Company piloted 'Shakti Pracharini' – a programme aimed at improving the health and hygiene standards in the rural community. Women from the villages are trained to become health and hygiene communicators, spreading the message of the need for improved hygiene habits amongst the rural community. Your company is also piloting '*i-Shakti*' – an IT-based rural information service – in 8 villages in Nalgonda district of Andhra Pradesh. Step by

step, Project Shakti is unleashing the potential of rural women and thus changing their lives.

5.6.4 E-tailing

The new direct to consumer e-tailing initiative, SangamDirect, has made significant progress during 2003. Over 35,000 families in suburban Mumbai have now tried the shopping service. Sangam services orders placed by customers on phone or email, within 24 hours, through a modern call centre and a distribution centre.

Through Sangam, the customer gets a unique convenience benefit, which is increasingly relevant in the urban areas. For the Company, this initiative provides strong growth potential. The direct contact with the customer also enables the Company to anticipate and meet the customers' needs for products and services.

5.7 Chemicals and Fertilisers

5.7.1 Speciality Chemicals

The market for Speciality Chemicals remained depressed and as a result sales was flat. Continuing fall in prices led by low cost imports and custom duty reduction had added to a over supply situation and erosion of margins. However through sharp focus on costs and margins, business profitability was significantly improved.

5.7.2 Fertilisers and Bulk Chemicals Business – Hind Lever Chemicals Limited (HLCL)

The Fertilizers and Bulk Chemicals business operations continued to be part of Hind Lever Chemicals Ltd. (HLCL) in which your Company holds 50% equity. Consequent to the decision of the Board of HLCL to merge with Tata Chemicals Limited, the Shareholders and Secured Creditors of HLCL have approved the Scheme of Amalgamation of the Company with Tata Chemicals Ltd. at the Court convened meeting held on 11th July, 2003. The Company

is awaiting the approval of the Scheme by the H'ble Punjab & Haryana High Court after which the Scheme shall be operative from the Appointed date of 1st April 2002. The H'ble High Court at Mumbai has already granted its approval to Tata Chemicals Limited for the aforesaid merger.

6. SWOT ANALYSIS FOR THE COMPANY

Strengths :

- Strong and well differentiated brands with leading share positions. Brand portfolio includes both global Unilever brands and local brands of specific relevance to India.
- Consumer understanding and systems for building consumer insight.
- Strong R&D capability, well linked with business.
- Integrated supply chain and well spread manufacturing units.
- Distribution structure with wide reach, high quality coverage and ability to leverage scale.
- Ability to deliver Cost Savings.
- Access to Unilever global technology capability and sharing of best practices from other Unilever companies.
- High quality manpower resources.

Weaknesses :

- Complex supply chain configuration, very large numbers of SKU's with dispersed manufacturing locations.
- Price positioning in some categories allows for low price competition.
- High Social costs (housing, foodgrains & firewood,

health and other welfare measures) in the plantation business.

Threats :

- Increased consumer spends on education, consumer durable, entertainment, travel etc. resulting in lower share of wallet for FMCG.
- Aggressive price competition from local and multinational players.
- Grey imports.
- Spurious/counterfeit products in rural areas and small towns.
- Changes in fiscal benefits.
- Unfavourable raw material prices in oils, tea commodity etc.

Opportunities :

- Brand growth through increased consumption depth and frequency of usage across all categories.
- Market and brand growth through increased penetration especially in rural areas.
- Upgrading consumers through innovation to new levels of quality and performance.
- Emerging Modern Trade for introduction of more upmarket Personal Care products.
- Growing consumption in Out of Home categories.
- Establishing HLL as a sourcing hub for Unilever companies in various countries.
- Leveraging the latest IT technology.

7. RESEARCH & DEVELOPMENT AND TECHNOLOGY

Research and Development continues to be key to deliver superior consumer value through new technologies for all our brands. Differentiation of products in performance, and in cost, constitutes the prime focus of this effort and a number of innovations have been rolled out and more are in the pipeline. A series of short, medium and long-term technology projects is being pursued vigorously and these are aligned with the business and consumer requirements. Some highlights for 2003 are :

- Technology to improve the economy of dish wash bars was developed and is in test-market.
- Superior performance skin-lightening cream was launched. This product was the result of our deep understanding of skin pigmentation and sun protection.
- Pilot scale testing of patented and novel fabric washing technology is in progress.
- Development of a fabric washing powder, which requires much less water to achieve high quality cleaning of fabrics.
- Technological interventions in the manufacturing process which helped us reduce the cost of production of refined iodised salt.
- Generation of high quality scientific understanding of wheat variants and various aspects of wheat processing constitute an on-going activity. The knowledge is utilised for commercial benefit by creating options for efficient and cost-effective sourcing and upgradation of quality.

Strengthening of scientific rigour and establishing the focus on high impact projects were the highlights of HLL R&D

function in 2003 and they will continue in the future. Underpinned by depth of knowledge in science and depth of passion for delivering superior technology, these projects are aligned to increase substantially the consumer value for your Company's brands.

Hindustan Lever Research Foundation (HLRF)

A “pilot” Ph.D. programme, with industry-university partnership, is being initiated. The goal is to establish an appropriate framework for industry-university partnership for a Ph.D. programme that would offer high value to the students and the partnering institutions.

With a substantial part of its endowment from HLRF, partnership with UICT-Mumbai, and efforts of several current and former HLL managers, an annual scientific conference has been instituted in memory of former Research Director, Sri KKG Menon. It was inaugurated in 2003, with a visionary address by Dr. Mashelkar, Director General of CSIR.

8. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Occupational Safety and Environment Management is an important area for your Company and continued to be under sharp focus throughout the year. The only acceptable standard of Safety performance for your Company envisions “zero accidents”. During 2003, Accident Frequency Rate, already one of the lowest amongst Unilever Companies worldwide, reduced further to 0.06 per 1,00,000 man-hours.

To achieve the next level of safety excellence on a sustainable basis, the company is focussing on the behavioural aspects of safety. For this purpose, the company has engaged M/s. DuPont - a global organisation reputed for its exemplary safety performance. This will also serve to reinforce the implementation of Unilever's Framework of Standards aligned to international standards of ISO 14001

/ OHSAS 18001. During the year, 15 sites received coveted Unilever Gold/Silver/Bronze awards of Excellence through continuous improvement in their safety performance. The Detergent and Tea Units at Pondicherry received Safety Awards from Government of Pondicherry.

Our 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. Your Company has recorded further reduction in specific energy consumption of 8% over 2002, through productivity improvements, induction of innovative energy-efficient processes technologies and recycling/reuse of energy stream where feasible. To conserve ground water, your Company has embarked on rainwater harvesting projects at the manufacturing sites. Other sustainability projects such as greening of barren land in and around factories, vermi-composting of wastes into value added fertiliser supplement for cultivation and sustainable agricultural practices in Tea plantations are progressing well.

As reported earlier, your company had engaged internationally renowned environmental consultants M/s. URS Dames & Moore to verify and assess impact of the operations of Kodaikanal factory (its operation was stopped since March 2001 following an allegation of pollution). The study indicated that there was no significant impact on environment. Further a comprehensive health check of all its employees at Kodaikanal confirmed that there has been no adverse impact on the health of the employees. Moreover, all mercury and mercury bearing scrap and solid waste from the Effluent Treatment Plant have been re-exported in May 2003 to a reputed US recycler for recovery and disposal in accordance with the international Basel convention guidelines and applicable regulations.

9. PERSONNEL

Employee relations continued to be cordial and harmonious, rooted in the philosophy of bilateralism. In 2003, productivity linked long term settlements were signed with employees' representatives through bilateral negotiations in 18 of our units including those covered by the All India Brooke Bond Employees' Federation. In general, our employees and their representatives have shown a high degree of maturity and responsibility in responding to the changing needs of business and prevailing economic/market conditions. However, at our Garden Reach Factory, following in-discipline over a prolonged period in the factory, we were compelled to enforce a 6-month lockout which was eventually lifted in end September following a tripartite agreement under the aegis of the Honourable Labour Minister of West Bengal.

To remain competitive in the changing business context, restructuring of our units continued, with the company applying its usual humane and fair approach. Wherever possible, redeployment of the surplus employees has been pursued, with those remaining availing of a social security package well above the statutory norms to the mutual benefit of all concerned.

The Total Productive Maintenance (TPM) journey has continued with discipline and rigour, leading to both increased transformational involvement of the employees on the shopfloor as also in our manufacturing units. Building on this success, TPM has now been adopted in our Sales establishments as well and we are confident that this will lead to a significant improvement in performance. In 2003, five more factories of the company achieved the Level 1 TPM Certification awarded by the Japan Institute of Plant Maintenance. Our focus on building high performance

culture continues and considerable time and effort has been devoted on specific interventions to develop leadership engagement and to institute team working for delivery of business performance as key initiatives of our transformation agenda. These have already begun to positively impact both the organisation culture and business performance.

10. ACQUISITIONS AND DISPOSALS

10.1 Acquisitions

10.1.1 Amalgam – Marine Business :

Your company acquired Marine business from the Amalgam group of companies on 28th March, 2003 by way of a slump sale of Assets of the frozen seafood's business including the facilities for cooked shrimps and pasteurised crabmeat on a going concern basis effective 1st January, 2003.

10.2 Disposals

10.2.1 Oils and Fats Business :

In line with Company's business strategy to exit non-value added business, the Edible Oils and Fats business of your company comprising manufacture and marketing of Vanaspati (Hydrogenated Fats), Refined Oils and Bakery Fats was sold to Bunge Agribusiness India Private Limited on a going concern basis. The transaction was by way of slump sale including the manufacturing facility at Trichy, Tamil Nadu, together with approx. 300 employees directly relevant to the business with continuity of service and full protection to existing terms and conditions. This also involved assignment of well known brands like Dalda and its various extensions, Masterline, Gold Seal, Silver Seal, Marvo, Biskin and Lily in India and Nepal. Your Company would however, continue to distribute the products of the business post divestment through a distribution arrangement with Bunge for a fee.

10.2.2 Mushrooms Business – KICM (Madras) Limited

The Company had accepted an offer from two non-resident Indians (NRIs), namely Mr. Ramana Epparla and Mrs. Siva Epparla based in the United States of America for acquiring the mushroom business by purchasing 100% shareholding in KICM (Madras) Limited.

Mr. Ramana Epparla is currently the CEO & Chairman of Unifor Information Technologies Inc., USA (Unifor) and Bell Central Inc., USA ("Bell") with expertise in the information technology industry for over a decade. The divestment of Company's shareholding in KICM (Madras) Limited to the extent of 100% in favour of Mr. Ramana Epparla and Mrs. Siva Epparla as and by way of controlling stake is under progress.

11. ISSUE OF BONUS DEBENTURES

Pursuant to the Scheme of Arrangement between your 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, alongwith the receipt of approval from Reserve Bank of India (RBI) on 9th April, 2003 the Board of Directors have :

- allotted 9% Secured Redeemable Debentures of Rs. 6 each to the members in the ratio of one Debenture for every equity share of Re. 1/- each aggregating Rs. 1,321 crores effective 2nd July, 2003. These debentures carry an interest rate @ 9% p.a. payable annually and the first interest would fall due on 1st July, 2004. These are due for redemption on 1st January, 2005 alongwith the final interest.
- paid a Special Dividend of Rs. 1.765 per share for every equity share of Re. 1/- each aggregating to Rs. 389 crores.

- discharged the liability of Tax on Distributed profits on Bonus Debentures / Special Dividend @ 12.8125% aggregating to Rs. 219 crores.

12. EMPLOYEE STOCK OPTION PLAN (ESOP)

Stock Options for 2004 have not been granted as on the date of the Directors Report. These will be appropriately disclosed after such grant is made.

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

None of the management employee or wholetime director have received options exceeding 5% of the value of the options issued for the year ending December 2003.

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 as formulated by the Company provides for a minimum of three year period for vesting of the options, the stock options granted during the year 2001, 2002 & 2003 would vest on or after 24th July, 2004, 23rd April, 2005 & 24th April, 2006 respectively. In the circumstances there is neither any dilution in the EPS nor any consideration has been received by the Company for grant of options as above for the years 2001, 2002 & 2003.

13. INTEGRATED RURAL DEVELOPMENT SCHEME AT SILVASSA

Your company along with the Pune based NGO Vanarai has undertaken an integrated village development

programme at the Karchond village cluster at Silvassa. The programme aims to create a model village improving the socio-economic growth. The programme endeavours to improve agricultural yields by improving the all-round availability of water. This is intended to be followed-up with initiatives on health & nutrition and forestry management.

The preparatory work on the project was started in August 03. The project involves the various government and related bodies and the village community including the Gram Panchayat at Karchond. Subsequently a Participatory Rural Appraisal and a Baseline Survey of the entire population was carried out to identify the development priorities of the village. A group of villagers then travelled to Gawadewadi, the model village established by Vanarai near Pune, for an orientation into the self-help village development model.

A preliminary plan to build several watershed/conservation structures was made based on a land chain contour survey and accordingly, in the first phase a total of 18 watershed structures were made in the village cluster. The bund building activity was carried out under the guidance of Vanarai with active support from members from the village community by way of "Shramdaan". A self-help group of 13 land-owning farmers was formed to exploit the water reservoir thus created, and for the first time ever the villagers were able to plant a second crop in Nov-Dec 2003. Various local government bodies have evinced keen interest in the project and supported it through availability of pumpsets and seeds at subsidised rates. The project focusses on improving agricultural techniques and launching fresh initiatives in the areas of health, nutrition and joint forestry management.

Through this programme, your Company aims to achieve a step-change in the economic status of the village. This will also encourage reversal of urban migration, which has been the bane of the local village economy in Silvassa.

14. INFORMATION TECHNOLOGY

Your Company continued to add value to the business through Information Technology. Key thrusts were in the area of sales, supply chain, management information, computing infrastructure and telecommunication.

Use of eCommerce to collaborate with key Customers and extending deployment of mobile computing to aid selling has helped to unlock time and energy for sales and improve customer service. IT has helped develop new channels like modern trade, focus on rural market and support various other sales initiatives. Information management technologies like data-warehousing and portals have enabled your company to access consumer research library with ease, closely track the effectiveness of marketing activities and structure appropriate support plans.

Enhanced connectivity coupled with group working tools has enabled effective working of multi functional teams separated geographically, improved project management and excellence in execution. Communication tools like web casting, video conferencing and net meeting have reduced the distance and cost while improving effectiveness.

IT has continued to help re-engineer supply chain in a major way, reducing costs and improving stock availability. The information systems now provide on-line visibility of stock levels across the supply chain and monitor supply chain performance measures in a transparent way. IT has helped to integrate all outsourced manufacturing facilities and to move into a common material planning capability directly integrating key Suppliers.

With enhanced connectivity and centralised application deployment, we are now able to drive our business processes more efficiently and track operating controls centrally. This has enabled the individual units to focus on operational excellence and provide enhanced agility in execution. The major landmark during the year has been creating the National Centre for Sales Commercial providing commercial processes to support all Sales Offices, Distribution Warehouses and Stockists. A similar shared service centre is being created to support all manufacturing units.

With increased IT sophistication and dependence, your company is conscious of the need to review and enhance information security and operational reliability. Detailed disaster recovery plans supported by periodic security drills are carried out to ensure that business operations are not hindered due to technology operational failures.

IT is recognised as a vital resource that adds enormous business value and competitive edge. We will continue to make further progress by embracing new ways of working and adopting IT as a strategic tool.

15. FINANCE & ACCOUNTS

Your Company continued its strong cash generation driven by business performance. The enhanced capability of the supply chain and efficient collection system continue to facilitate cash generation. In the context of falling interest rate environment, your Company optimised the return on investments by deployment of cash surplus in a balanced portfolio of safe and liquid debt market instruments. The 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 bonus debenture

issue of your Company enjoys AAA rating by CRISIL and AAA (Ind) rating by Fitch.

The total amount of fixed deposits as of 31st December, 2003 was Nil. Deposits amounting to Rs. 16.53 lakhs were unclaimed by depositors as at 31st December, 2003. Your Company has sent reminders to these depositors to complete the procedural formalities for repayments.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules, 2001, Rs 95.84 lakhs of unpaid/unclaimed dividends and deposits were transferred during the year to the Investor Education and Protection Fund.

Pursuant to directions from the Department of Company Affairs for appointment of Cost Auditors, your Company appointed M/s. N. I. Mehta & Co., as the Cost Auditor for the Soaps and Detergents, Cosmetics and Personal Products and Vanaspati businesses.

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

Other Financial Information

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

For the year ended 31 December	1999	2000	2001	2002	2003
RONW	50.9%	52.6%	53.9%	48.4%	82.8%
ROCE	61.8%	64.5%	62.4%	59.4%	60.2%
EPS of Re.1	4.86	5.95	7.46	8.04	8.05
DPS of Re.1	2.90	3.50	5.00	5.50	5.50

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
1999	694	2070	33.5
2000	858	2389	35.9
2001	1080	2816	38.4
2002	1236	3396	36.4
2003	1429	3780	37.8

The above EVA has been computed under well accepted conventions and assumptions. A detailed note on EVA is given in page F 38.

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 Oils and Fats, 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	2003	2002
Segment Revenue (Sales plus Income from Services)		
Soaps and Detergents	4,379.43	4,385.02
Personal Products	2,410.18	2,095.05
Beverages	1,184.17	1,232.03
Foods	602.46	714.50
Ice creams	93.39	107.25
Exports	1,246.31	1,256.05
Others	366.64	343.77
Total	10,282.58	10,133.67
Less: Inter-segment revenue	(37.11)	(95.22)
Net Sales/Income from Operations	10,245.47	10,038.45
Consisting of		
a) Net Sales	10,138.35	9,954.85
b) Service income from operations	107.12	83.60
Segment Results (PBIT)		
Soaps and Detergents	1,088.28	1,134.49
Personal Products	884.10	760.05
Beverages	224.84	243.59
Foods	0.56	(28.92)
Ice creams	0.39	(14.39)
Exports	61.53	95.89
Others	(15.00)	(1.32)
Total	2,244.70	2,189.39
Less: Interest expense	(66.76)	(9.18)
Add: Unallocable income net of other unallocable expenses	67.01	16.91
Total Profit (PBT)	2,244.95	2,197.12

Capital employed in segments (Segment assets less liabilities)		
Soaps and Detergents	162.37	177.04
Personal Products	212.30	91.51
Beverages	(32.22)	(41.12)
Foods	53.84	(34.90)
Ice creams	6.18	(2.71)
Exports	340.31	265.04
Others	119.45	105.22
Total	862.23	560.08
Add: Unallocable corporate Assets less Liabilities	1,276.50	3,098.80
Total Capital Employed in Hindustan Lever Ltd.	2,138.73	3,658.88

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

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

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

For a FMCG company like Hindustan Lever, economic growth has a direct impact on its performance. Our outlook for the economy in 2004 is cautious, and we expect a GDP growth of about 6 - 7 per cent. Our 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

In the light of introduction of Dividend Distribution tax by the Finance Act, 2003 the Board reconsidered its recommendation for payment of a final dividend of Rs. 3/- per equity share of Re. 1/- each and ratified that the Final Dividend be recommended at Rs. 2.659 per equity share and an amount of Re. 0.341 be used for discharging the Dividend Distribution Tax liability @ 12.81%, thereby retaining the aggregate pay out at Rs. 3/- per share as originally recommended by the Board on January 29, 2003.

An interim dividend of Rs. 2.50 per share of Re. 1/- each amounting to Rs. 550.31 crores, was declared by the Board of Directors on July 31, 2003 and paid on August 28, 2003.

A final dividend of Rs. 3.00 per share, aggregating in all Rs. 660.37 crores was recommended on February 17, 2004.

17. DEPOSITORY SYSTEM

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

18. DIRECTORS

In view of his impending retirement from the services of the Company on attaining the age of superannuation, Mr. Gurdeep Singh expressed his desire to step down from the Board of your Company during the year.

Your Company records its sincere appreciation to the long, dedicated and distinguished services of Mr. Gurdeep Singh. The Board also placed on record its appreciation for the valuable contributions made by Mr. Singh to the deliberations of the Board.

Mr. Aart C. Weijburg, Director – Detergents will be returning to Unilever after a stint of over five years with your Company. He has, therefore expressed his desire to step down from the Board of your Company, with effect from May 1, 2004.

Your Company records its sincere appreciation to the long, dedicated and distinguished services of Mr. Weijburg. The Board also placed on record its appreciation for the valuable contributions made by Mr. Weijburg to the deliberations of the Board.

Mr. Arun Adhikari – Executive Director Personal Products was appointed as an Additional Director with effect from May 1, 2004, to hold office till the conclusion of the forthcoming Annual General Meeting of the Company. The HPC Division formed by the integration of Company's Detergents and PP businesses will be headed by Mr. Adhikari as Managing Director – HPC Division.

Mr. S. Ravindranath – Executive Director Beverages was appointed as Additional Director with effect from May 1, 2004, to hold office till the conclusion of the forthcoming Annual General Meeting of the Company. The Foods Division formed by the integration of Company's Beverages, Culinary Products, Staple Foods, Icecreams and Confectionery businesses will be headed by

Mr. Ravindranath as Managing Director – Foods Division.

Notices together with money deposits have been received from members pursuant to Section 257 of the Companies Act 1956 proposing Mr. Arun Adhikari and Mr. S. Ravindranath for appointment as Directors of the Company at the ensuing AGM.

19. AUDITORS

M/s. A.F. Ferguson & Co. one of the joint statutory auditors of the Company, have expressed their intention to continue as the Control Assurance auditors of the Company and therefore do not seek re-election at the ensuing Annual General Meeting of the Company to act as the joint statutory auditor of the Company.

Your Company records its deepest sense of appreciation on the privilege enjoyed by the Company over long years of fruitful association with M/s A. F. Ferguson & Co., as the statutory auditors of the Company since its inception.

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

20. COMPANIES AUDITORS' REPORT ORDER, 2003 (CARO)

The Department of Company Affairs has replaced MAOCARO, 1988 with CARO, 2003. This order is applicable for all companies whose accounts are closed on or after 1st July, 2003. Considering the difficulties due to time constraints, department has said that though it would take a lenient view of any non-compliance by companies so long as they take 'serious efforts' to comply with the same. Accordingly your Company has requested the statutory auditors to communicate to management on

compliance with the requirements of the said Order issued by the Central Government in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956.

This report is given in page no. 53, 54 & 55.

21. APPRECIATION

Your directors take this opportunity to thank all employees for rendering impeccable service to every constituent of the Company's customers and shareholders. Your directors also wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry despite increased competition from several existing and new players.

22. TRADE RELATIONS

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

On behalf of the Board

M.S. Banga
Chairman

Mumbai,
April 29, 2004

ANNEXURE TO THE DIRECTORS' REPORT, 2003

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
a) Options granted	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
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
c) Options vested	NA – Since options not exercisable before the expiry of three years from the grant of option (24.7.2001)	NA – Since options not exercisable before the expiry of three years from the grant of option (23.4.2002)	NA – Since options not exercisable before the expiry of three years from the grant of option (24.4.2003)
d) Options exercised	NA	NA	NA
e) The total number of shares arising as a result of exercise of option	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
f) Options lapsed	1,95,300 equity shares of Re. 1/- each	1,93,413 equity shares of Re. 1/- each	88,605 equity shares of Re. 1/- each
g) Variation of terms of options	NA	NA	NA
h) Money realised by exercise of options	NA	NA	NA
i) Total number of options in force	22,79,800 equity shares of Re. 1/- each	30,40,188 equity shares of Re. 1/- each	41,87,485 equity shares of Re. 1/- each
j) Employee-wise details of options granted to :			
i) Senior managerial personnel	—	—	Details in Appendix
ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NA	NA	NA
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
k) 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.

Note : i) Stock Option for 2004 have not been granted as on the date of the Directors' Report. These will be appropriately disclosed after such Grant is made.
ii) Option lapsed is as on December 31, 2003.

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 2003
M.S. Banga	154000
M.K. Sharma	42880
Gurdeep Singh	42880
D. Sundaram	42880
A.S. Abhiraman	21440
Arun Adhikari	42880
Satish K. Dhall	42880
Gunender Kapur	53600
Anoop K. Mathur	32160
J. H. Mehta	32160
S. Ravindranath	53600
Dalip Sehgal	32160

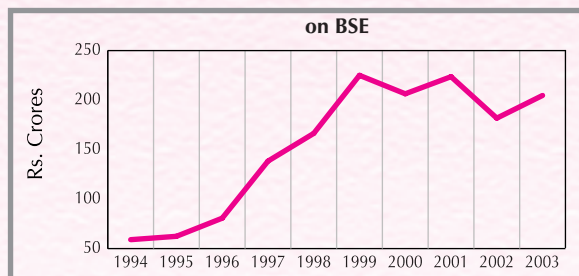
10 YEAR RECORD

Rs. Lakhs	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Profit & Loss Account										
Sales*	3240,39	3774,88	7120,06	8342,75	10215,24	10917,69	11392,14	11781,30	10951,61	11096,02
Other Income	56,21	66,70	118,08	183,87	244,74	318,98	345,07	381,79	384,54	459,83
Interest	(29,54)	(20,15)	(57,00)	(33,89)	(29,28)	(22,39)	(13,15)	(7,74)	(9,18)	(66,76)
PBT @	302,71	372,22	605,25	850,25	1130,44	1387,94	1665,09	1943,37	2197,12	2244,95
PAT @	189,96	239,22	412,70	580,25	837,44	1069,94	1310,09	1540,95	1731,32	1804,34
EPS of Re. 1 (adjusted for bonus)	1.30	1.64	2.08	2.81	3.67	4.86	5.95	7.46	8.04	8.05
DPS of Re. 1 (adjusted for bonus)	0.80	1.00	1.25	1.70	2.20	2.90	3.50	5.00	5.50	5.50
Balance Sheet										
Fixed Assets	328,90	395,56	721,71	794,09	1053,77	1087,17	1203,47	1320,06	1322,34	1369,47
Investments	191,45	122,83	328,77	531,57	697,51	1006,11	1769,74	1635,93	2364,74	2574,93
Net Deferred Tax	—	—	—	—	—	—	—	246,48	269,92	267,44
Net Current Assets	342,02	457,67	378,67	122,42	226,06	187,25	(373,38)	(75,04)	(239,83)	(368,81)
	862,37	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	3717,17	3843,03
Share Capital	146,99	145,84	199,17	199,17	219,57	220,06	220,06	220,12	220,12	220,12
Reserves & Surplus	391,27	492,44	792,36	1062,33	1493,46	1883,20	2268,16	2823,57	3438,75	1918,60
Share Premium Suspense Accounts	177,57	177,57	177,57	—	—	—	—	—	—	—
Loan Funds	146,54	160,21	260,05	186,58	264,31	177,27	111,61	83,74	58,30	1704,31
	862,37	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	3127,43	3717,17	3843,03

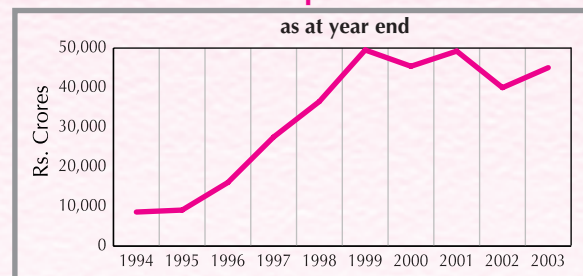
@ Before Exceptional Items

* Sales before Excise Duty Charged

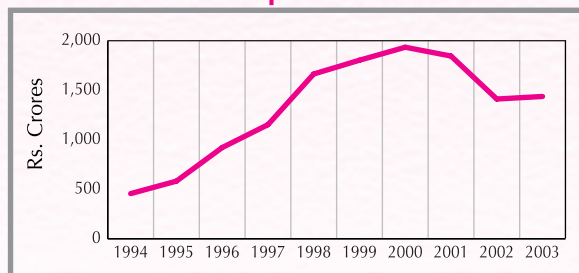
HLL Share Price



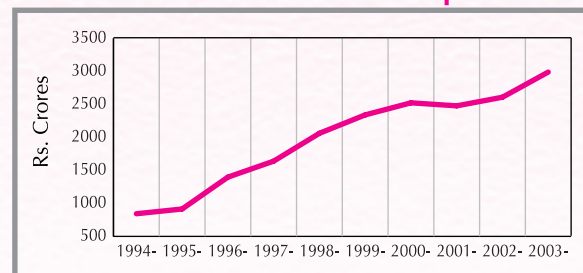
Market Capitalisation



Exports



Contribution to Exchequer



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
HLL Share Price on BSE (Rs. per Share of Re. 1) *	59.00	62.40	80.70	138.35	166.35	225.00	206.35	223.65	181.75	204.70
Market Capitalisation (Rs. Crores)	8,604	9,100	16,073	27,555	36,525	49,513	45,409	49,231	40,008	45,059
Exports (Rs. Crores)**	456	582	921	1,152	1,664	1,803	1,934	1,845	1,411	1,437
Contribution to Exchequer (Rs. Crores)	843	915	1,398	1,640	2,062	2,341	2,524	2,478	2,609	2,999
EVA	107	126	272	365	548	694	858	1,080	1,236	1,429

* 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, 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, employees, consumers and society. 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 focussed 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, which we indeed do – 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.

In order to strengthen Corporate Governance further we have taken measures to simplify the organisation structure. The companies business and operations effective 1st May, 2004 have been reorganised into two divisions i.e. Home and Personal care – by combining the erstwhile Detergents & Personal Products businesses and Foods - by combining the erstwhile Beverages, Foods, Confectionery and Ice-cream businesses. Each of the divisions will be headed by a Managing Director, who in turn will have a Divisional Management Committee comprising representatives from diverse functions and categories forming part of the Divisions to assist him in managing the businesses of the concerned Division. The Managing Directors will be responsible for performance and profits of their respective Divisions and will have the requisite level of empowerment subject to supervision and control of the Board. The Business Divisions will be supported by corporate functions like Finance, IT, HR, Technology, Legal etc.

New Ventures, Plantations and Speciality exports businesses will continue to be independently looked after by their respective Executive Directors subject to the superintendence and control of the Board.

In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Indian Stock Exchanges is concerned, the Company is in full compliance with the norms and disclosures that have to be made on Corporate Governance Format.

BOARD OF DIRECTORS

a) Composition of the Board

In compliance with the corporate governance norm in terms of constitution of the Board, headed by its executive Chairman, Mr. M. S. Banga, the Board currently has nine other directors, out of which five directors are 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 eight (8) Board meetings during the year ended 31 December 2003. These were on (i) January 29, 2003, (ii) April 16, 2003, (iii) June 13, 2003, (iv) June 20, 2003 (v) July 31, 2003, (vi) October 28, 2003, (vii) October 30, 2003 and (viii) December 18, 2003 and the maximum interval between any two meetings was 88 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	Executive Chairman and whole-time Director	8	7	Yes	3 (1)
M.K. Sharma	Executive Vice-Chairman and whole-time Director (Legal and Secretarial)	8	8	Yes	6 (3)
D.S. Parekh	Non-executive and independent	8	7	Yes	14 (9)
V. Narayanan	Non-executive and independent	8	7	Yes	13 (9)
C.K. Prahalad	Non-executive and independent	8	5	No	Nil
A. Narayan	Non-executive and independent	8	7	Yes	2 (1)
S. Ramadorai	Non-executive and independent	8	3	No	9 (4)
G. Singh**	Executive and whole-time Director (Human Resource, Technology & Corporate Affairs)	8	7**	Yes	NA
D. Sundaram	Executive and whole-time Director (Finance & Information Technology)	8	6	Yes	4
A.C. Weijburg	Executive and whole-time Director (Detergents)	8	5	Yes	Nil

Notes: * Figures in () indicates listed companies as at 31st December, 2003.

** Ceased to be a Director during the year.

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

None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

d) Information supplied to the Board

Among others, this includes:

- * review of annual operating plans of businesses, capital budgets, updates,
- * quarterly results of the company and its operating divisions or business segments,

- * minutes of meeting of audit committee and other committees of the Board,
- * 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.

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 31st December, 2003 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 commissions

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 2003

Rupees

Name of Director	Relationship with other Directors	Sitting fees paid*	Commission on profits	Salary	Contribution to PF	Perquisites	Total
M.S. Banga	None	NA	1,10,53,680	55,26,840	19,89,662	60,88,790	2,46,58,972
M.K. Sharma	None	NA	82,26,816	41,13,408	14,80,827	10,90,189	1,49,11,239
D.S. Parekh	None	30,000	5,00,000 @	NA	NA	NA	5,30,000
V. Narayanan	None	45,000	5,00,000 @	NA	NA	NA	5,45,000
C.K. Prahalad	None	35,000	5,00,000 @	NA	NA	NA	5,35,000
A. Narayan	None	45,000	5,00,000 @	NA	NA	NA	5,45,000
S. Ramadorai	None	10,000	5,00,000 @	NA	NA	NA	5,10,000
G. Singh **	None	NA	45,23,640	29,10,600	8,92,109	4,98,607	88,24,956
D. Sundaram	None	NA	76,39,632	38,19,816	13,75,134	12,28,637	1,40,63,219
A. C. Weijburg	None	NA	76,39,632	38,19,816	Nil	13,99,819	1,28,59,267

Notes: @ The commission for the year ended 31st December 2003 @ Rs. 5 Lakhs per annum will be paid to non-wholetime Directors, subject to deduction of tax after adoption of accounts by shareholders at the Annual General Meeting to be held on 29th June, 2004.

* Increase in sitting fees to Rs.20,000/- per meeting with effect from 28th October, 2003 resolved by the Board has not been accounted and paid for, pending approval of shareholders as required by the Articles of Association.

** Mr. Gurdeep Singh was employed as a whole time director only for part of the year.

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

- Perquisites includes amortisation of Employee's Stock Options granted during 2001 & 2002 amounting to Rs.12,28,387/-. Refer Note 13 of Statements forming part of the Profit and Loss Account on page no. 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 31.12.2002	Number of options granted under 2001 HLL Stock Option Scheme during the year 2003 *	Options Exercised during 2003	Outstanding as at 31.12.2003
M.S. Banga	181740	154000	Nil	335740
M.K. Sharma	57015	42880	Nil	99895
G. Singh	57015	42880	Nil	99895
D. Sundaram	77470	42880	Nil	120350
A.C. Weijburg	Nil	Nil	Nil	Nil

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

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 statement is 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 statement 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 project finance, accounts and company law. Minutes of each audit committee meeting are placed before, and discussed in, the Board.

The audit committee met four times during the year: January 29, 2003, April 16, 2003, July 28, 2003 and October 28, 2003. Table 4 gives 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	2
A. Narayan	4	4

In addition to the areas noted above, Hindustan Lever's audit committee looks into controls and security of the company's critical IT applications, the internal audit reports and control assurance audit reports of all major divisions and profit centres 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 appointment of the wholetime directors are by virtue of their employment with the Company as management employees, their service contract, notice period and severance fee, if any, is governed by the management remuneration policy of the Company.

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

The committee consisting of three Non-executive and Independent Directors – Mr. D.S. Parekh (Chairman), Prof. C.K. Prahalad and Mr. A. Narayan met twice during the year: April 16, 2003 and October 29, 2003.

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	1

The three members of the remuneration committee along with Mr. M. S. Banga (Chairman and whole-time Director) and Mr. G. Singh (whole-time Director) comprised the compensation committee of the company for administering the stock option plan of the company.

With Mr. Gurdeep Singh ceasing to be a whole time director, the Committee will be reconstituted at the forthcoming meeting.

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: April 16, 2003 and October 28, 2003. 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.

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

- * **M.S. Banga** (49) is the Chairman and a whole-time 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.
- * **M.K. Sharma** (56) 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** (59) 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** (66) 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** (62) 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** (59) is a 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** (52) 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** (51) joined Hindustan Lever in 1975 after qualifying as a Cost Accountant from Institute of Cost & Works Accountants of India. 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.
- * **A.C. Weijburg** (56) joined Unilever, South Africa in 1971, after a B.A. in Economics from the University of South Africa. He has occupied several positions within the Unilever Group, such as Marketing and Sales Director (Lever Netherlands), Chairman (Lever Denmark), Managing Director (Lever Sweden), Managing Director (Lever Deutschland) and Chairman (Lever Brothers, UK). Mr. Weijburg joined Hindustan Lever in February 1999 as Director, Detergents and Regional Category Leader for Asia for Laundry and Household Cleaners. Mr. Weijburg resigned from the Board effective 01.05.04 preparing to his return to Unilever.

Given below are the abbreviated resumes of Mr. A. Adhikari and Mr. S. Ravindranath who have been appointed as Managing Director of HPC & Foods division respectively w.e.f. 01.05.04.

- * **A. Adhikari** (49) joined Hindustan Lever as a Management Trainee in 1977, after completing his Bachelors degree in Chemical Engineering followed by a 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. Since April 2000 he has been the Executive Director, Personal Products.
- * **S. Ravindranath** (56) 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.

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 as an agenda item. Mr. O.P. Agarwal, Company Secretary, is the compliance officer.

d) Share transfer

All share transfers are handled in-house by Hindustan Lever's Investor Service Department, which is registered with the SEBI as a Category 2 Registrar.

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
31 December 2000	22 June 2001	1430 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400020
31 December 2001	26 June 2002	1500 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400020
31 December 2002	13 June 2003	1500 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400020

g) Postal ballots

During the year 2003, pursuant to Section 192A of the Companies Act, 1956, the shareholders of the Company had overwhelmingly approved by means of Postal Ballot through an Ordinary Resolution its proposal for disposal of Edible Oils and Fats undertaking including the bakery fats business to Bunge Agribusiness India Private Limited.

OTHER INFORMATION

- In line with the approval of the Government, royalty payable to Unilever PLC for the year 2003 @ 1% of qualifying turnover amounts to Rs. 55.83 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.

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		
	Indexport Limited	Chairman			
	Nepal Lever Limited	Chairman			
	Kimberly Clark Lever Pvt. Limited	Chairman			
	Lever India Exports Limited	Chairman			
	Digital Securities Pvt. Ltd.	Chairman			
M. K. SHARMA	ICICI Bank Limited	Director	ICICI Bank Limited	Audit Business Strategy Committee	Member Member
				Agriculture and Small Enterprises Business	Member
	Vasishti Detergents Limited	Chairman	Vasishti Detergents Limited	Investor Grievances Committee	Chairman
	Nepal Lever Limited	Director			
	Hindlever Chemicals Limited	Director	Hind Lever Chemicals Limited	Audit Committee Remuneration Committee Investor Grievances Committee	Member Member Member
	Indexport Limited	Director			
	Lever India Exports Limited	Director			
	Hind Lever Trust Limited	Director			
	TOC Disinfectants Limited	Director			
ADITYA NARAYAN	ICI India Limited	Chairman	NIL		
	Quest International India Limited	Director (Alternate)			
	Henkel Teroson India Limited	Non-Executive Director			
V. NARAYANAN	Pond's Exports Limited	Chairman			
	MM Forgings Limited	Chairman	MM Forgings Limited	Audit Committee	Chairman
	UCAL Fuel Systems Limited	Director	UCAL Fuel Systems Ltd.	Audit Committee	Chairman
	Glaxo Smithkline Pharmaceuticals Limited	Director	Glaxo Smithkline Pharmaceuticals Limited	Audit Committee	Member
	Samtel Colour Limited	Director			
	FAL Industries Limited	Director	FAL Industries Limited	Audit Committee Remuneration Committee	Member Member
	Rane Madras Limited	Director	Rane Madras Limited	Audit Committee	Chairman
	Samcor Glass Limited	Director			
	Tamil Nadu News Print & Papers Limited	Director			
	Lafarge India Private Limited	Director			
	Foster's India Limited	Director			
	Sundaram Fasteners Limited	Director	Sundaram Fasteners Ltd.	Audit Committee	Member
	Bata India Limited	Director	Bata India Limited	Audit Committee	Member
	Chemplast Sanmar Limited	Director	Chemplast Sanmar Ltd.	Audit Committee	Chairman
C. K. PRAHALAD	NCR Corporation	Director	NCR Corporation	Audit & Finance Committee Governance Committee	Director Chairman
	World Resources Institute	Director			
D. S. PAREKH	Housing Development Finance Corporation Ltd.	Chairman			
	Infrastructure Development and Finance Co. Ltd.	Chairman	IDFC Ltd.	Remuneration	Member
	Glaxo SmithKline Pharmaceuticals Ltd.	Chairman	Glaxo SmithKline Pharmaceuticals Ltd.	Audit Committee	Chairman
	Burroughs Wellcome (India) Ltd.	Chairman	Burroughs Wellcome (India) Ltd.	Audit Committee	Member
	HDFC Asset Management Co. Ltd.	Chairman	HDFC Asset Management Co. Ltd.	Investor Grievances Committee	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	Castrol India Ltd.	Audit Committee	Chairman
	The Indian Hotels Co. Ltd.	Director	The Indian Hotels Co. Ltd.	Audit Committee	Member
	Asset Reconstruction Company (India) Ltd.	Director			
	National Thermal Power Corporation Ltd.	Nominee Director			

Name of the Director	Other Directorships		Other Committee Memberships		
	Name of the Company	Position	Name of the Company	Committee	Position
S. RAMADORAI	Borax Morarji Ltd.	Alternate Director			
	Zodiac Clothing Co. Ltd.	Alternate Director			
	Bharat Bijlee Ltd.	Alternate Director			
	Exide Inds. Ltd.	Alternate Director			
	Siemens Limited	Director			
	Motor Industries Co. Ltd.	Director	Motor Industries Co. Ltd.	Audit Committee	Member
				Investor Grievances	Member
			ICI India Ltd.	Audit Committee	Chairman
				Remuneration Committee	Member
	Tata Industries Limited	Director	Tata Infotech Limited	Remuneration Committee	Member
GURDEEP SINGH	Tata Infotech Limited	Director	Tata Elxsi (India) Ltd.	Remuneration	Member
	Tata Elxsi (India) Limited	Director		Audit	Member
	Tata Internet Services Limited	Director	Tata Technologies Ltd.	Audit	Chairman
	Tata Technologies Limited	Director		Remuneration	Chairman
	WTI Advanced Technology Ltd.	Director			
	Aviation Software Development				
	Consultancy India Ltd.	Director			
	CMC Limited	Chairman			
	Jataayu Software (Pvt.) Limited	Director			
	Nicholas Piramal India Limited	Director			
D. SUNDARAM	Hindlever Chemicals Limited	Director			
	Sivalik Cellulose Limited	Chairman			
	Nepal Lever Limited	Co-Chairman			
	Levers Associated Trust Ltd.	Director			
	Blue Star Ltd.	Director			
AART C. WEIJBURG	SBI Capital Markets Ltd.	Director	SBI Capital Market	Audit	Chairman
	Indigo Lever Shared Services Limited	Chairman			
	Quest International India Limited	Director	Quest International India Limited	Audit	Member
	Paras Extra Growth Seeds Limited	Director	Paras Extra Growth Seeds Ltd.	Audit	Member
	NIL			NIL	

**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, 2003 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.

We state that in respect of investor grievances received during the year ended 31st December, 2003, 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.

For A. F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

S. R. Tata
(Partner)

Thomas Mathew
(Partner)

Mumbai : 29th April, 2004

Additional Information for Shareholders

Annual General Meeting

Date : 29 June 2004
 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 2003, results were announced on:

- 16 April 2003 : First quarter
- 31 July 2003 : Half yearly
- 30 October 2003 : Third quarter
- 17 February 2004 : Fourth quarter and annual.

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

- 29 April 2004 : First quarter (Already announced)
- 29 July 2004 : Half yearly
- 28 October 2004 : Third quarter
- 15 February 2005 : Fourth quarter and annual.

Book Closure

The book closure period for final dividend is from 18 May 2004 to 01 June 2004, 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 31st July, 2003 and paid on 28th August, 2003. A final dividend of Rs.3.00 per share aggregating in all to Rs. 660.37 crores was recommended on 17th February, 2004 and subject to the approval of the shareholders at the Annual General Meeting will be paid on 2nd July, 2004.

Bonus Debentures

Interest Payment:

Members are aware that on 2nd July, 2003 the Company had allotted 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 is due on 1st July, 2004 to those debentureholders whose names would appear in the Register of Debentureholders as on Record Date 1st June, 2004.

The last and final interest for six months is due for payment on 1st January, 2005 alongwith the redemption of said Debentures.

Payment of interest without tax deduction at source

As per the Income Tax Act, 1961, interest on debentures exceeding Rs.2500/- during a financial year is subject to deduction of tax at source.

Those debentureholders who wish to claim interest in excess of Rs. 2500/- without tax deduction at source should file either Form 15G (or 15H in case of Senior Citizens) on or before **15th June, 2004**. However, interest amount exceeding Rs.50,000/- p.a. is subject to tax deduction at source irrespective of the declarations filed for tax exemption in Form No. 15G or 15H.

Such declarations would remain valid upto 31st March, 2005 and no fresh declaration need to be submitted for interest due for payment on 1st January, 2005. The declaration forms 15G & 15H are available on the Company's website www.hll.com

Redemption of Debentures

Debentures are due for redemption on 1st January, 2005 and the redemption amount will be paid without deduction of tax at source.

ECS (Electronic Clearing Service) /mandates/bank details

The members/debentureholders may please note that ECS details contained in the Benpos downloaded from the Depositories would be reckoned for payment of dividend/interest. Further, instructions like mandates/bank details in respect of dividend are also proposed to be adopted for payment of interest/redemption proceeds for the convenience of the debentureholders. Debentureholders desirous of giving different instructions may write to the Company's Investor Service Department at Navi Mumbai (for Debentures held in physical form) or to their respective DPs (for Debentures held in Demat form) latest by **15th June, 2004**.

PAN No. Data

The debentureholders holding debentures in physical form are requested to provide their PAN No. to the Company latest by **15th June, 2004** to enable the Company to incorporate the same in their tax deduction certificate on Interest payments.

For debentures held in Electronic form, the PAN No. will be downloaded from the Benpos.

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 (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, 2003.

Table 1 : Monthly share price data and volumes, BSE

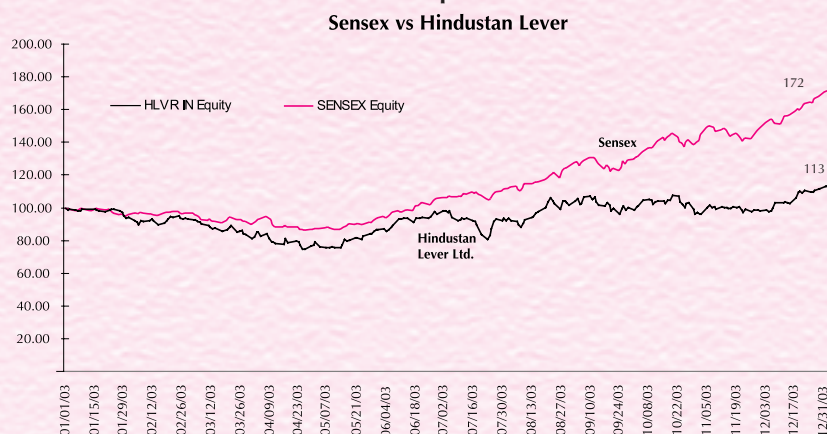
Month, 2003	High	Low	Volumes
January	181.65	170.25	9,224,033
February	172.60	162.75	9,066,291
March	168.55	147.95	9,148,483
April	155.51	136.00	14,870,786
May	157.55	137.35	11,719,890
June	178.45	156.10	13,876,187
July	178.70	146.75	19,214,277
August	193.15	160.35	22,863,577
September	194.65	174.60	18,463,526
October	195.55	174.60	20,281,688
November	185.05	176.95	17,707,378
December	205.85	177.95	31,916,219

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, 2003	High	Low	Volumes
January	181.80	170.80	20,632,704
February	172.45	163.00	18,345,092
March	168.45	148.35	19,780,712
April	154.85	135.70	37,764,749
May	157.90	137.35	29,149,645
June	178.30	156.60	37,535,408
July	179.00	146.80	47,123,372
August	193.15	160.55	61,101,746
September	194.95	174.30	54,232,519
October	195.25	174.35	55,839,693
November	185.75	176.95	41,747,674
December	206.45	178.35	72,614,121

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 2003

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 1 January 2004, then that person will have enjoyed a capital appreciation of almost 260 per cent. Compared to that, the BSE-Sensex would deliver 50.4 per cent.

Table 3 : Value appreciation for Hindustan Lever shareholders

Date of purchase	HLL share price (Rs.)	HLL appreciation	BSE-Sensex	Sensex appreciation
2-Jan-95	59.00	260.3%	3932	50.4%
1-Jan-96	62.20	241.8%	3128	89.1%
1-Jan-97	81.70	160.2%	3261	81.4%
1-Jan-98	139.43	52.5%	3695	60.1%
1-Jan-99	165.25	28.7%	3060	93.3%
3-Jan-00	239.12	-11.1%	5375	10.0%
1-Jan-01	200.00	6.3%	3955	49.6%
1-Jan-02	220.50	-3.6%	3246	82.2%
1-Jan-03	181.65	17.0%	3390	74.5%
1-Jan-04	212.60		5915	

Note : All comparisons are with respect to 1 January 2004 (the reference date).

Distribution of shareholding

Tables 4 and 5 gives the distribution pattern of shareholding of Hindustan Lever as on 31 December 2003.

Table 4 : Distribution of Shareholding by size class, 31 December 2003

Holdings	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 5000	332767	94.69	239139372	10.86
5001 – 10000	11388	3.24	79515860	3.61
10001 – 20000	4856	1.38	66445716	3.02
20001- 30000	1173	0.33	28339492	1.29
30001 – 40000	431	0.12	14854930	0.67
40001 – 50000	233	0.07	10430388	0.47
50001 – 100000	280	0.08	19041302	0.87
100001 and above	287	0.08	1742028321	79.14
In-transit			1448412	0.07
Total	351415	100	2201243793	100.00

Table 5 : Distribution of shareholding by ownership, 31 December 2003

Category	Shares held (Nos.)	% of holdings
Unilever and its associates	1134849460	51.55
Sub total	1134849460	51.55
Foreign Banks	85080	0.00
Foreign Financial Institutions	290766524	13.21
Foreign Nationals	4620	0.00
Non-Resident Indians	6085259	0.28
Overseas Corporate Bodies	7950	0.00
Sub total	296949433	13.49
Bodies Corporate	18141054	0.82
General Insurance Corporation of India	134860408	6.13
Government Companies	16494907	0.75
Industrial Development Bank of India	423929	0.02
Life Insurance Corporation of India	125489343	5.70
Mutual Fund	22022649	1.00
Nationalised Banks	2436165	0.11
Trusts	727283	0.03
Unit Trust of India	415859	0.02
Sub total	321011597	14.58
Resident Individuals	446857726	20.30
Sub total	446857726	20.30
Directors and their Relatives	127165	0.01
Sub total	127165	0.01
In-transit	1448412	0.07
Sub total	1448412	0.07
Total	2201243793	100.00

Shares held in physical and dematerialised form

As on 31 December 2003, 43.94 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, out of which 94.71 per cent are held in physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares account for 85.87 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

All share transfers and related operations have so far been conducted in-house by Hindustan Lever's Investor Service Department, which is registered with the SEBI as a Category 2 Registrar under the overall supervision of Mr. O.P. Agarwal, Company Secretary. It is a well equipped department which endeavours to provide efficient and timely services to its shareholders in share transfers and related operations.

The Company has also been evaluating the option of outsourcing the investor service function in order to add further value and to overcome certain limitations like not being able to service shareholders directly across the counter at various places across the Country where the shareholders are based. After a careful evaluation, the Company has come to the conclusion that it will benefit the shareholders if the investor service function is outsourced to an outside agency which has in addition to specialised expertise, better infrastructure to serve the investors in the Country. Accordingly, it has been decided that the share registration and allied operations relating to the equity shares of the Company will be outsourced to Karvy Computershare Private Limited (Karvy) who are Category I Registrars & Transfer Agents registered with SEBI and possess approx. 20 years experience in handling share registry operations. Karvy serves over 250 corporate clients and renders

service to an investor base of over 16 million. Karvy are the largest Registrars & Share Transfer Agents in the Country and serve the investors through their 193 branches across 135 cities.

Karvy will be appointed as Registrars & Share Transfer Agents of the Company with effect from 1st July, 2004 and having regard to the complexities involved in shifting the investor service operations from the Company's office at Navi Mumbai to Karvy's central office at Hyderabad, it is expected that Karvy should be fully operational in respect of the share registry work of the Company latest by 1st October, 2004. Appropriate communication in this regard will follow in due course.

So far as work relating to Bonus Debentures is concerned, the same will continue to be handled by the Company's Investor Service Department from its Navi Mumbai office till final redemption in January 2005.

a) Address for correspondence

All correspondence relating to the shares and debentures of the Company should continue to be sent to the Company's Investor Service Department at Navi Mumbai at the following address till further communication from the Company.
Hindustan Lever Limited,
Investor Service Department,
"Dakshina", 3rd Floor, Plot No. 2,
Sector 11, CBD Belapur, Navi Mumbai 400 614.
Tel : 022-27575570 (7 lines), Fax : 022-27575473.

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

To allow us to service shareholders/debentureholders 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 new web-site rolled out in the year 2001, 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 the Investor Service Department of the Company located at the Registered Office as well as Navi Mumbai. The Nomination Form is also available on the Company's website. It may be noted that for shares held in electronic form, the concerned shareholders have to register their nominations directly with their respective depository participants.

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

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

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) at the Navi Mumbai 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 automatically 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 1996 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 7 gives the unclaimed dividend amount since 1996.

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
1996	41F	FINAL	24-July-1997	03-Sep-2004
1997	42I	INTERIM	04-Nov-1997	15-Dec-2004
1997	42F	FINAL	15-May-1998	25-June-2005
1998	43I	INTERIM	04-Nov-1998	15-Dec-2005
1998	43F	FINAL	21-May-1999	01-July-2006
1999	44I	INTERIM	18-Oct-1999	28-Nov-2006
1999	44F	FINAL	25-Apr-2000	05-June-2007
2000	45I	INTERIM	19-Oct-2000	29-Nov-2007
2000	45F	FINAL	22-June-2001	02-Aug-2008
2001	46I	INTERIM	24-July-2001	22-Aug-2008
2001	46F	FINAL	28-June-2002	27-July-2009
2002	47I	INTERIM	21-Aug-2002	19-Sep-2009
2002	47F	FINAL	16-June-2003	15-July-2010
2002	47S	SPECIAL	08-July-2003	06-Aug-2010
2003	48I	INTERIM	28-Aug-2003	26-Sep-2010

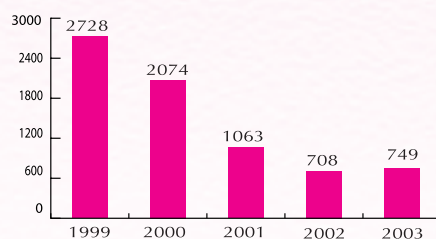
Table 7 : Unclaimed dividend amount as on 31 December 2003

Year	Dividend	Type	No. of warrants issued	No. of warrants unclaimed	% unclaimed	Amount of dividend (Rs. lakhs)	Dividend unclaimed (Rs. lakhs)	% unclaimed
1996	41F	FINAL	402956	19539	4.8	12,946.00	221.09	1.7
1997	42I	INTERIM	391195	20336	5.2	14,938.00	123.01	0.8
1997	42F	FINAL	339301	17272	5.1	18,921.00	112.46	0.6
1998	43I	INTERIM	330371	16532	5.0	19,119.00	128.05	0.7
1998	43F	FINAL	354211	16890	4.8	27,227.00	171.24	0.6
1999	44I	INTERIM	346323	16477	4.8	26,348.00	157.88	0.6
1999	44F	FINAL	353016	15317	4.3	37,410.00	196.79	0.5
2000	45I	INTERIM	374828	20903	5.6	33,009.00	204.38	0.6
2000	45F	FINAL	373306	18070	4.8	44,012.00	238.58	0.5
2001	46I	INTERIM	369667	17521	4.7	55,015.00	267.78	0.5
2001	46F	FINAL	352240	21178	6.0	55,031.09	283.50	0.5
2002	47I	INTERIM	370239	20799	5.6	55,031.09	262.85	0.5
2002	47F	FINAL	375782	21718	5.8	58,531.07	336.28	0.6
2002	47S	SPECIAL	376369	29798	7.9	38,851.95	207.76	0.5
2003	48I	INTERIM	370088	24719	6.7	55,031.09	367.52	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. During the year 2003 complaints increased marginally due to major activity on bonus debenture and special dividend. Table 8 gives the data on complaints regarding shares during the year ended 31 December 2003.

Chart B : Complaints are going down**Table 8 : Details of complaints regarding shares for the year 2003**

Nature of complaint	Number of complaints	Number redressed
Non-receipt of dividend	368	366
Non receipt of shares lodged for Transfer	336	329
Others	45	45
Total	749	740

All the unresolved complaints were received in December 2003 and have been progressed further for resolution.

CARO Report

For A.F. FERGUSON & CO.
Chartered Accountants
Allahabad Bank Buildings
Bombay Samachar Marg
Mumbai 400 001

For LOVELOCK & LEWES
Chartered Accountants
1104, Raheja Chambers
Nariman Point
Mumbai 400 021

REPORT TO THE BOARD OF DIRECTORS OF HINDUSTAN LEVER LIMITED ON INFORMATION REQUIRED BY THE COMPANIES (AUDITOR'S REPORT) ORDER, 2003.

We refer to your letter dated 16 February, 2004. As requested, this report is prepared solely to communicate to management on compliance of the Company, on a 'best effort' basis, with the requirements of the Companies (Auditor's Report) Order, 2003 (the Order) issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956. This report should not be construed as a report to the members in terms of sub-section (4A) of Section 227 of the Companies Act, 1956.

We carried out our examination in accordance with auditing standards generally accepted in India. On the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give below a statement on the matters specified in paragraphs 4 and 5 of the said Order in relation to Hindustan Lever Limited for the year ended 31st December, 2003:

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets have not been verified by the management during the year but, according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.
- (c) During the year, in our opinion, a substantial part of fixed assets has not been disposed off by the Company.
- (ii) (a) The inventory of the Company 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 and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found 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 records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material in relation to the operations of the Company.
- (iii) In our opinion, the Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, secured or unsecured, to/from parties listed in the registers maintained under Section 301 of the Companies Act, 1956 clauses iii(b), iii(c) and iii(d) of paragraph 4 of the Order, are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.
- (v) (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no such transactions exceeding Rs. five lakhs each which have been made at prices, which are not reasonable having regard to the prevailing market prices, for such goods, materials or services at the relevant time.

- (vi) 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 and the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under, where applicable, with regard to deposits accepted from the public. As per the information and explanations given to us no order under the aforesaid sections has been passed by the Company Law Board on the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) 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, the maintenance of cost records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that *prima facie* the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and others as applicable have been regularly deposited by the Company during the year with the appropriate authorities.
- (b) As at 31st December, 2003 according to the records of the Company, the following are the particulars of disputed dues on account of sales-tax, income-tax, custom duty, wealth tax, excise duty and cess matters that have not been deposited:

Name of the statute	Amount Rs. Lakhs	Forum where dispute is pending
Excise Duty	7,65.23	Appellate Authority – upto Commissioner's Level
	8,11.32	Appellate Authority – Tribunal
	61.38	High Courts
	22.54	Supreme Court
Sales Tax	78,16.12	Appellate / Revisional Authority – upto Commissioner's Level
	43,64.75	Appellate Authority – Tribunal
	64,76.42	High Courts
Customs Duty	56.27	Appellate Authority – upto Commissioner's Level
	7.44	Appellate Authority – Tribunal
Income Tax	1,95.83	Appellate Authority – upto Commissioner's Level
	22.45	Appellate Authority – Tribunal

Out of the amounts aggregating Rs. 205,99.75 lakhs, Rs. 163,23.05 lakhs has been stayed for recovery by the relevant authority.

- (x) The Company has neither accumulated losses as at 31st December, 2003 nor it has incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by management, we are of the opinion that the Company has not defaulted in repayment of its dues to any financial institution, bank or to debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute as specified under clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion, are *prima facie*, prejudicial to the interest of the Company.
- (xvi) The Company has not obtained any term loans that were not applied for the purpose for which these were raised.

- (xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment, and vice versa.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) Pursuant to the Scheme of Arrangement between the Company and its members, the Company has issued 9% secured redeemable bonus debentures of Rs. 6 each amounting to Rs. 1320,74.63 lakhs during the 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 is in the process of creating securities in respect of these debentures.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, during the year, no fraud by the company has been noticed or reported; fraud on the Company amounting to Rs. 16,40 lakhs (out of which Rs. 13,50 lakhs is yet to be recovered in respect of which steps are being taken for recovery) through misappropriation of assets by certain distributors was noticed and reported.

For A.F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

Mumbai: 10th April, 2004

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	Rs. Lakhs	
	Balance as at 31st March, 2003	Maximum outstanding during the year
Modern Food Industries (India) Limited	5,560.00	5,560.00
Pond's Export Limited	1,000.00	1,000.00
International Fisheries Limited	314.52	314.52
Indigo Lever Shared Services Limited	250.00	250.00
Rossell Industries Limited	200.00	200.00

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.



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 under the completed contract method and 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.

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 and
- certain assets of the cold chain are depreciated over four / seven 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, 2003

Figures in brackets represent deductions

	Notes	2003 Rs. lakhs	2002 Rs. lakhs
INCOME			
Sales	1	10138,35.32	9954,85.30
Other income	2	459,82.83	384,54.22
Total		10598,18.15	10339,39.52
EXPENDITURE			
Operating expenses	3-5	(8161,68.31)	(7998,99.50)
Depreciation		(124,78.43)	(134,10.06)
Interest	6	(66,76.45)	(9,18.40)
Total		(8353,23.19)	(8142,27.96)
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		2244,94.96	2197,11.56
Taxation for the year – current tax	9	(427,36.00)	(458,94.00)
– deferred tax		(60,94.00)	(20,91.00)
Taxation adjustments of previous years (net)	19	47,69.00	14,05.17
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		1804,33.96	1731,31.73
Exceptional items (net of tax)	13	(32,54.56)	38,41.90
NET PROFIT		1771,79.40	1769,73.63
Balance brought forward		1198,15.96	759,97.56
Available for distribution		2969,95.36	2529,71.19
Dividends :			
Dividends for 2002			
Final Rs. 2.659 per share declared on 13th June, 2003	21	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 : [2002 : Subject to deduction of income tax]			
Interim - Rs. 2.50 per share - declared on 31st July, 2003		(550,31.09)	(550,31.09)
Special dividend - Rs. 1.765 per share	22	(388,51.95)	—
Final - Rs. 3.00 per share - proposed		(660,37.31)	(660,37.31)
Tax on distributed profits [2002 - credit pertaining to previous year]		(374,14.27)	56,13.17
Transfer to General Reserve		(178,00.00)	(177,00.00)
Balance carried forward		818,60.74	1198,15.96
Earnings Per Share (Rs.) - Basic & Diluted (Face value of Re.1 each)	17	8.05	8.04

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 F32

As per our report attached to the balance sheet

For A.F. FERGUSON & CO. For LOVELOCK & LEWES
Chartered Accountants Chartered Accountants

S.R. Tata Thomas Mathew
(Partner) (Partner)

Mumbai : 17th February, 2004

Signatures to pages : F1, F2, F5 to F7,
F20 to F24 and F26 to F32

M.S. Banga
M.K. Sharma
D. Sundaram
P. Kabra
O.P. Agarwal
Chairman
Vice Chairman
Finance Director
Group Controller
Company Secretary

Mumbai : 17th February, 2004

Balance Sheet as at 31st December, 2003

Figures in brackets represent deductions

	Schedule		2003 Rs. lakhs	2002 Rs. lakhs
SOURCES OF FUNDS				
Shareholders' funds				
Capital	1	220,12.44	220,12.44	
Reserves and surplus	2	1918,60.16	2138,72.60	3438,75.14
Loan funds				
Secured loans	3	1603,69.65		19,61.50
Unsecured loans	4	100,60.79	1704,30.44	38,68.26
			3843,03.04	58,29.76
				3717,17.34
APPLICATION OF FUNDS				
Fixed assets				
Gross block		2141,71.54		1994,36.41
Depreciation		(846,08.96)		(778,89.64)
Net block	5	1295,62.58		1215,46.77
Capital work-in-progress		73,84.26	1369,46.84	106,86.88
				1322,33.65
Investments	6		2574,93.08	
				2364,74.10
Deferred Tax				
Deferred Tax Assets	14	377,09.13		387,30.63
Deferred Tax Liabilities	15	(109,65.19)	267,43.94	(117,38.49)
				269,92.14
Current assets, loans and advances				
Inventories	7	1392,63.34		1278,73.62
Sundry debtors	8	470,85.01		367,85.04
Cash and bank balances	9	806,48.11		942,62.60
Other current assets	10	62,49.81		46,30.22
Loans and advances	11	769,32.62		795,55.40
		3501,78.89		3431,06.88
Current liabilities and provisions				
Liabilities	12	(2559,48.32)		(2465,34.09)
Provisions	13	(1311,11.39)		(1205,55.34)
		(3870,59.71)		(3670,89.43)
Net current assets			(368,80.82)	(239,82.55)
			3843,03.04	3717,17.34

For schedules, contingent liabilities, additional information,
segment information, related party
disclosures and accounting policies
See pages : F1, F8 to F19 and F26 to F32

As per our report attached

For A.F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

S.R. Tata
(Partner)

Thomas Mathew
(Partner)

Mumbai : 17th February, 2004

Signatures to pages : F1, F3, F8 to F19
and F26 to F32

M.S. Banga
M.K. Sharma
D. Sundaram
P. Kabra
O.P. Agarwal

Chairman
Vice Chairman
Finance Director
Group Controller
Company Secretary

Mumbai : 17th February, 2004

Cash Flow Statement for the year ended 31st December, 2003

		2003 Rs. lakhs	2002 Rs. lakhs
A. Cash Flow from Operating Activities :			
Profit before taxation and exceptional items		2244,94.96	2197,11.56
Adjustments for :			
Depreciation	124,78.43		134,10.06
Foreign Exchange	5.00		3.95
Gain on sale of fixed assets held for disposal	(18.70)		(0.68)
Surplus on disposal of investments (net)	(46,38.19)		(28,20.61)
Reversal of provision for diminution in value of investments, net of cost over fair value of current investments (net)	(21,28.46)		(1,95.76)
(Surplus) / Deficit on disposal of fixed assets (net)	(10,76.15)		4,08.67
Interest income	(138,72.27)		(196,78.05)
Dividend income	(89,30.52)		(55,62.33)
Interest expenditure	66,76.45		9,18.40
		(115,04.41)	(135,16.35)
Operating Profit before Working Capital Changes		2129,90.55	2061,95.21
Adjustments for :			
Trade and Other Receivables	(44,68.29)		40,86.89
Inventories	(146,20.17)		(88,33.12)
Trade Payables and Other Liabilities	33,45.79		3,19.03
		(157,42.67)	(44,27.20)
Cash generated from operations		1972,47.88	2017,68.01
Income Taxes paid (net of refunds)		(410,44.65)	(441,21.23)
Cash flow before exceptional items		1562,03.23	1576,46.78
Purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees		(57,18.20)	—
Compensation under Voluntary Separation Schemes		(24,42.00)	—
Payment made in respect of discontinuance of Thermometer operations and ice cream restructuring included in exceptional items		(3,94.83)	(9,69.33)
Net Cash from Operating Activities	A	1476,48.20	1566,77.45
B. Cash Flow from Investing Activities :			
Purchase of fixed assets	(233,51.39)		(211,63.98)
Sale of fixed assets	40,39.52		56,05.63
Purchase of investments	(11219,71.00)		(5521,61.80)
Sale of investments	11058,15.67		4832,13.44
Consideration received on sale of Businesses (Note 2 and 3)	85,31.52		185,00.63
Interest received	129,65.53		193,46.17
Dividend received	87,00.59		59,78.34
Net Cash used in Investing Activities	B	(52,69.56)	(406,81.57)
C. Cash Flow from Financing Activities :			
Dividends paid including bonus debentures (refer Note 22 to Profit and Loss account)	(2840,57.99)		(1095,73.71)
Tax on distributed profits	(364,59.48)		—
Interest paid	(81.34)		(9,27.21)
Bank overdrafts, etc. (net)	32,21.47		(17,00.14)
Proceeds from borrowings	557,76.58		2,81.98
Proceeds from debentures	1320,74.63		—
Repayments of borrowings	(264,72.00)		(11,25.94)
Net Cash used in Financing Activities	C	(1559,98.13)	(1130,45.02)
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		(136,19.49)	29,50.86
Cash and Cash equivalents as at 1st January (Opening Balance)		942,65.87	913,15.01
Cash and Cash equivalents as at 31st December (Closing Balance)		806,46.38	942,65.87

For notes
See page: F25

Signatures to pages : F4 and F25

As per our report attached to the balance sheet

For A.F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

M.S. Banga
M.K. Sharma
D. Sundaram
P. Kabra
O.P. Agarwal

Chairman
Vice Chairman
Finance Director
Group Controller
Company Secretary

S.R. Tata
(Partner)

Thomas Mathew
(Partner)

Mumbai : 17th February 2004

Mumbai : 17th February, 2004

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	2003 Rs. lakhs	2002 Rs. lakhs
INCOME		
1. Sales	11096,01.80	10951,61.03
Less : Excise duty	(957,66.48)	(996,75.73)
	10138,35.32	9954,85.30
Sales include duty drawback and licence premium on exports	13,91.34	23,25.49
2. Other income		
Income from services rendered	88,83.22	82,08.20
Income from property development activity	18,28.71	1,51.13
Interest income - bank and other accounts (gross)	81,75.87	94,54.34
(Tax deducted at source Rs.14,93.31 lakhs; 2002 - Rs.19,83.82 lakhs)		
Interest income - non trade (gross) (Note 7)	55,66.31	101,56.91
(Tax deducted at source Rs. 2,51.91 lakhs; 2002 - Rs. 6,36.95 lakhs)		
Interest income - investment in subsidiary - long term (gross)	1,30.09	66.80
(Tax deducted at source Rs. 26.96 lakhs; 2002 - Rs. 3.05 lakhs)		
Dividend income - trade - long-term (gross)	10,11.67	10,72.34
(Tax deducted at source Rs. Nil lakhs; 2002 - Rs. 1,08.56 lakhs)		
Dividend income - non trade - long-term (gross)	11.10	6,94.21
(Tax deducted at source Rs. Nil lakhs; 2002 - Rs. 95.31 lakhs)		
Dividend income - non trade - current (gross)	38,93.82	15,57.96
(Tax deducted at source Rs. 4.24 lakhs; 2002 - Rs. 44.68 lakhs)		
Dividend income - Subsidiaries - long term (gross)	40,13.93	22,37.82
(Tax deducted at source Rs. 1,66.70 lakhs; 2002 - Rs. 2,01.65 lakhs)		
Surplus on disposal of investments (net) (Note 8)	46,38.19	28,20.61
Surplus on fixed assets sold etc. (net)	10,76.15	—
Miscellaneous income	67,53.77	20,33.90
	459,82.83	384,54.22
OPERATING EXPENSES		
3. Materials consumed and Purchase of goods		
Raw materials consumed	3222,86.14	3238,70.46
Packing materials consumed	736,76.38	666,04.61
Purchase of goods	1429,75.70	1294,71.85
4. General expenditure		
Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	493,75.49	526,74.80
Contribution to provident and other funds	45,44.21	37,70.69
Workmen and staff welfare expenses	39,43.75	34,65.22
Processing charges	139,52.99	161,58.17
Consumption of stores and spare parts	48,61.94	33,67.72
Repairs and maintenance	13,11.77	15,14.56
— Buildings	48,42.35	41,48.75
— Plant	9,12.66	9,12.03
— Others	167,84.33	166,40.98
Power, light, fuel and water	70,58.47	69,36.85
Rent	102,44.27	86,83.01
Rates and taxes	7,60.79	7,43.25
Insurance	759,08.62	841,86.23
Advertising and sales promotion	457,43.35	401,54.84
Carriage and freight	8,40.64	5,60.95
Agents' commission and brokerage	25,50.62	(8,65.30)
Provision / (write back) for doubtful debts and advances (net)	109,90.77	103,92.76
Travelling and motor car expenses	—	4,08.67
Deficit on fixed assets sold, scrapped, etc. (net)	349,18.75	306,24.03
Miscellaneous expenses (Note 12)	(19,01.70)	(20,83.18)
Expenses shared by certain current and erstwhile subsidiary companies for use of common facilities		
5. Stocks		
Opening stocks :		
— Work-in-progress	45,93.68	47,71.85
— Processed chemicals	5,84.76	10,87.20
— Finished goods	560,03.09	577,11.56
Adjustment to stocks :		
— As at 30th March, 2002, of Seeds business	—	(17,04.05)
— As at 1st April, 2002, of Leather Exports business	—	(4,33.38)
— As at 3rd May, 2002, of Diversey Lever business	—	(1,19.79)
— As at 1st July, 2002, of Mushroom Exports business	—	(5,16.22)
— As at 29th August, 2003, of Edible oils and Fats business [Note 14 (i)]	(18,21.16)	—
Closing 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)
Excise Duty on Increase/ (Decrease) of Finished goods	16,06.03	(20,58.09)
	8161,68.31	7998,99.50

Notes to Profit and Loss Account

6. Interest paid on bank and other accounts Rs. 6,84.24 lakhs (2002 - Rs. 9,16.90 lakhs) and on debentures and fixed loans Rs. 59,92.21 lakhs (2002 - Rs. 1.50 lakhs).
7. Interest received - non trade (gross) comprises of Rs. 24,87.84 lakhs (2002 - Rs. 17,54.55 lakhs) and Rs. 30,78.47 lakhs (2002 - Rs. 84,02.36 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. 50,34.93 lakhs (2002 - Rs. 28,20.61 lakhs)
 - a loss on disposal of long term investments (net) Rs. 3,96.74 lakhs (2002 - Rs. Nil)
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, 2003 and the provision based on the figures for the remaining nine months up to 31st December, 2003, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2003 to 31st March, 2004.
10. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled / appropriate rates applicable at the year end) credited to the Profit and Loss Account is Rs. 4,78.75 lakhs (2002 - Rs. 5,35.48 lakhs).

	2003 Rs. lakhs	2002 Rs. lakhs
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11. Operating expenses include

A) Auditors' remuneration and expenses		
i) Audit fees	1,62.00	1,57.50
ii) Tax audit fees	81.00	78.75
iii) Fees for management services	10.97	1.05
iv) Fees for other services	1,06.79	1,81.59
v) Reimbursement of out-of-pocket expenses	80.26	57.84
B) Payments to Cost auditors		
i) Cost audit fees	5.08	4.73
ii) Reimbursement of out-of-pocket expenses	0.37	0.31
C) Research and Development expenses	31,19.87	24,82.45

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. Nil lakhs (net) (2002 - Rs. 17,18.00 lakhs (net)).
- ii) is net of credit for reversal / write back of provision on diminution in value of long-term investments Rs. 21,82.42 lakhs (2002 - charge of Rs. 1.15 lakhs (net)).
- iii) includes charge in respect of excess of cost over fair value of current investments (net) Rs. 53.96 lakhs (2002 - credit of Rs. 1,96.91 lakhs (net)).

	2003 Rs. lakhs	2002 Rs. lakhs
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13. Exceptional Items

i) Reduction in company's liability consequent to purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees	48,20.00	—
ii) Profit arising out of disposal of Edible Oil and Fats business (Refer Note 14 (i) below)	56,20.30	—
iii) Profit arising from the sale of the Seeds business	—	74,72.18
iv) Profit arising from sale of Diversey Lever business	—	46,87.19
Total exceptional income	104,40.30	121,59.37
v) 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)	(120,68.00)
vi) Provision for loss arising out of disposal of Mushroom undertaking (Refer Note 14 (ii) below)	(19,03.00)	—
vii) Restructuring costs across businesses comprising :		
a) Provision for estimated loss on fixed assets rendered surplus	(45,49.68)	—
b) Loss on fixed assets held for disposal	(8,56.50)	—
c) Compensation under Voluntary Separation Schemes	(36,78.98)	—
d) Other Costs	(8,99.00)	—
viii) Loss on sale of Mushroom Exports business	—	(6,84.47)
Total exceptional expenditure	(181,37.16)	(127,52.47)
Net	(76,96.86)	(5,93.10)
Taxation on the above - Charge on current tax	(14,03.50)	—
- Credit on deferred tax	58,45.80	44,35.00
Total Tax credit (net)	44,42.30	44,35.00
Exceptional Items (net of tax)	(32,54.56)	38,41.90

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) The Company has also entered into a Memorandum of Understanding with a third party for transfer of Mushroom business undertaking through sale and transfer of equity shares and debentures held by the Company in KICM (Madras) Limited, a wholly owned subsidiary.
- 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 :

	2003 Rs. lakhs	2002 Rs. lakhs
Property Development Activity - Work-in-progress as at 1st January	13,65.22	7,21.58
Add : Construction cost	1,21.53	5,83.26
Power, light, fuel and water	19.74	0.82
Rates and taxes - others	3.21	41.24
Miscellaneous expenses	15.92	21.01
	<u>1,60.40</u>	<u>6,46.33</u>
	15,25.62	13,67.91
Less : Property Capitalised	5,42.55	—
Property Development Activity - Work-in-progress as at 31st December	65.09	13,65.22
Cost of property sold, included in miscellaneous expenses	<u>9,17.98</u>	<u>2.69</u>

16. Goodwill is being amortised over its useful life, not exceeding a period of ten years in accordance with the Accounting Standard 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India. Hitherto, goodwill was being charged off to the profit and loss account on acquisition. Consequently the amortisation charged to the profit and loss account is lower by Rs. 5,00.16 lakhs with corresponding increase in the profit for the year.

17. Earnings Per Share has been computed as under :

	2003	2002
Net Profit (Rs. lakhs)	1771,79.40	1769,73.63
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)	8.05	8.04

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 :

	2003 Rs. lakhs	2002 Rs. lakhs
Fixed assets write off	1,07.89	26,38.09
Raw / Packing materials	38.52	1,02.53
Other items	3,94.83	7,10.30
	<u>5,41.24</u>	<u>34,50.92</u>

21. Consequent to the amendment of the Income Tax Act, 1961 by the Finance Act, 2003 in May 2003, making the dividend declared by a company exempt in the hands of members but liable to tax in the hands of the Company, on distributed profits, the members at the Annual General Meeting held on 13th June, 2003 resolved to declare a dividend of Rs. 2.659 per share (against Rs. 3 per share proposed) and pay tax on distributed profits as applicable. The aggregate cash outflow of the Company remains unchanged.

22. 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 Board of Directors have, during the year, under the approved restructuring of capital :

- i) Distributed from General Reserve and issued 9% Secured Redeemable Debentures of Rs. 6 each to the members in the ratio of one Debenture for every equity share of Re.1/- each aggregating Rs. 1320,74.63 lakhs.
- ii) Declared a special dividend of Rs. 1.765 per share for every equity share of Re 1/- each aggregating Rs. 388,51.95 lakhs.
- iii) Discharged the Company's liability of tax on distributed profits aggregating Rs. 219,02.38 lakhs

Further the Company has set apart funds equivalent to the redemption value of the debentures and invested them as per the terms of the Scheme of Arrangement.

23. For information on Joint Ventures refer Schedule 20 to the Balance Sheet.

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

Schedules to Balance Sheet

		2003 Rs. lakhs	2002 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, 2003 are 95,07,473 (2002 - 55,45,951). Of these 22,79,800 (2002 - 23,72,800) options will vest in 2004, 30,40,188 (2002- 31,73,151) in 2005 and 41,87,485 in 2006 (2002 - Nil).

Also see Schedule 17

2. RESERVES AND SURPLUS

Rs. lakhs

	As at 31st December, 2002	Additions	Deductions	As at 31st December, 2003
CAPITAL RESERVES				
Capital Reserve	3,45.93	—	—	3,45.93
Capital Subsidy	3,15.93	9.00	—	3,24.93
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	2,05.87
Total Capital Reserves	274,20.63	9.00	2,05.87	276,35.50
REVENUE RESERVES				
Export Profit Reserve	12,21.95	—	—	12,21.95
Development Allowance Reserve	26.72	—	—	26.72
General Reserve	1953,89.88	(a) 178,00.00	(e) (1320,74.63)	811,15.25
Total Revenue Reserves	1966,38.55	178,00.00	(1320,74.63)	823,63.92
PROFIT AND LOSS ACCOUNT BALANCE	1198,15.96	(a) 818,60.74	(b) (1198,15.96)	818,60.74
TOTAL RESERVES – 31st December, 2003	3438,75.14	996,69.74	(2516,84.72)	1918,60.16
TOTAL RESERVES – 31st December, 2002	2823,56.74	1375,15.96	(759,97.56)	3438,75.14

(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. 2,05.87 lakhs (2002 - Rs. Nil) being amortisation of deferred employee compensation after adjusting for reversals on account of options lapsed.

Employee Stock Options

	As at 31st December, 2002	Additions	Deductions	As at 31st December, 2003
Employee Stock Options Outstanding	—	4,85.83	(19.79)	4,66.04
Less : Deferred Employee Compensation	—	(4,85.83)	2,25.66	(2,60.17)
Employee Stock Options	—	—	2,05.87	2,05.87

(e) Refer Note 22 in Profit and Loss account.

Schedules to Balance Sheet

	2003 Rs. lakhs	2002 Rs. lakhs
3. SECURED LOANS		
9% Secured Redeemable Non Convertible Debentures of the face value of Rs. 6 each	1320,74.63	—
– To be 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. 3.83 lakhs (2002 - Rs. Nil)		
The Secretary - Rs. 0.29 lakh (2002 - Rs. Nil)		
Loans and Advances from Banks :		
– Bank overdrafts	18,04.99	7,69.95
Secured by hypothecation of stocks, book debts, etc.		
– Export Packing Credit	258,74.75	—
Secured by a pari passu charge on certain current assets		
Other loans and advances	6,15.28	11,91.55
– Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets		
	1603,69.65	19,61.50
4. UNSECURED LOANS		
Short - term loans and advances :		
From Banks		
– Export Packing Credit	74,17.41	—
– Overdrawn book balance on current account	21,86.43	—
Other loans and advances		
Other than from banks	4,56.95	38,68.26
(repayable before 31st December, 2004 - Rs. Nil lakhs; 2003 - Rs. 34.70 lakhs)		
	100,60.79	38,68.26
5. FIXED ASSETS		

Rs. lakhs

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost/ Valuation as at 31st December, 2002	Additions	Deductions/ Transfers	Cost/ Valuation as at 31st December, 2003	As at 31st December, 2002	Additions	Deductions/ Transfers	As at 31st December, 2003	As at 31st December, 2003	As at 31st December, 2002
Goodwill	—	6,34.15	—	6,34.15	—	1,33.99	—	1,33.99	5,00.16	—
Land – Freehold	42,12.44	11,79.87	(1,68.68)	52,23.63	—	—	—	—	52,23.63	42,12.44
– Leasehold	26,35.61	1,27.12	39.88	28,02.61	1,86.77	26.85	—	2,13.62	25,88.99	24,48.84
Buildings (a)	462,23.55	59,55.96	(10,72.59)	511,06.92	78,27.59	13,14.27	(3,05.13)	88,36.73	422,70.19	383,95.96
Railway sidings	1.35	—	(0.76)	0.59	1.35	—	(0.76)	0.59	—	—
Plant & machinery	1029,53.78	161,05.69	(63,92.94)	1126,66.53	395,95.74	79,26.13	(34,23.42)	440,98.45	685,68.08	633,58.04
Furniture, fittings & office equipment	219,06.00	17,92.71	(33,99.61)	202,99.10	124,31.56	22,60.53	(17,62.75)	129,29.34	73,69.76	94,74.44
Trade Marks	161,79.87	3,69.24	—	165,49.11	159,21.85	3,34.94	—	162,56.79	2,92.32	2,58.02
Motor vehicles	53,23.81	2,42.90	(6,77.81)	48,88.90	19,24.78	4,81.72	(2,67.05)	21,39.45	27,49.45	33,99.03
Total – 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	1215,46.77
– 2002	1935,87.62	216,68.90	(158,20.11)	1994,36.41	726,34.20	134,10.06	(81,54.62)	778,89.64	1215,46.77	

NOTES : (a) Buildings include Rs. 2.54 lakhs (2002 - Rs. 2.57 lakhs) being the value of shares in co-operative housing societies.

(b) The title deeds of immovable properties aggregating Rs. 37,13.73 lakhs (2002 - Rs. 30,16.74 lakhs), acquired on transfer of business / undertakings are in the process of being transferred in the name of the Company.

(c) Capital expenditure commitments - Rs. 20,83.07 lakhs (2002 - Rs. 25,88.88 lakhs).

(d) (i) 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.

(ii) 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.

(iii) 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.

Schedules to Balance Sheet

			2003 Rs. lakhs	2002 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. 379,76.00 lakhs	473,36.69	825,68.26
		(2002 - Rs. 671,56.50 lakhs) (Current		
		Investments) (quoted)		
		Treasury Bills of the face value of		
		Rs. 106,59.50 lakhs	102,47.34	371,42.55
		(2002 - Rs. 376,95.00 lakhs) (Current		
		Investments)		
		Indira Vikas Patra (Matured during the year)	—	1.00
		TOTAL - A	575,85.08	1197,12.86
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 (Formerly known as the The Doolia Tea Company 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	2,00,003	Equity shares of Rs. 10 each fully paid	20.00	20.00
KICM (Madras) Limited*	5,840	Equity shares of Rs. 100 each fully paid	11,70.58	11,70.58
	1,000	7.5% 3 Year Secured Non-Convertible Debentures of Rs.1,00,000 each fully paid	10,00.00	10,00.00
Modern Food Industries (India) Limited	1,47,550	(2002 - 1,47,549) Equity shares of Rs. 1,000 each (1 share purchased during the year)	157,41.46	157,41.35
	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	224,31.53	224,31.42

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

Schedules to Balance Sheet

6. INVESTMENTS (Contd.)

(Long-term, Unquoted, unless otherwise stated)

2003
Rs. lakhs

2002
Rs. lakhs

C. TRADE INVESTMENTS AT COST SHARES				
Hind Lever Chemicals Limited	68,92,800	Equity shares of Rs. 10 each fully paid (quoted)	52,41.85	52,41.85
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs. 100 each fully paid	0.05	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	5.87	5.87
Aquagel Chemicals Private Limited	2,84,040	Equity shares of Rs. 100 each fully paid	2,65.56	2,65.56
	9,13,000	7% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid	9,13.00	9,13.00
Super Bazar Co-op. Stores Limited	1,000	Equity shares of Rs. 10 each fully paid	0.10	0.10
Vashisti Detergents Limited	1,69,04,140	Equity shares of Rs. 10 each fully paid (quoted)	29,40.00	29,40.00
Kimberly Clark Lever Private Limited	3,62,50,000	Equity shares of Rs. 10 each fully paid	36,25.00	36,25.00
Snowman Frozen Foods Limited	38,32,000	Equity shares of Rs. 10 each fully paid	5,01.71	5,01.71
Coffee Futures India Exchange Limited	1	Equity share of Rs. 10,000 each fully paid	0.10	0.10
Lever Gist Brocades Private Limited	—	(2002 - 1,50,00,000) Equity shares of Rs. 10 each fully paid (Sold during the year)	—	15,00.00
Quest International India Limited	14,11,200	Equity shares of Rs. 100 each fully paid	68,02.41	68,02.41
Goldfield Fragrances Private Limited (Formerly Goldfield Fragrances Limited)	7,164	(2002 - 24,000) Equity shares of Rs. 100 each fully paid (Shares of Goldfield Fragrances Private Limited issued in the ratio of 3.35:1 consequent to the merger of Goldfield Fragrances Limited with CPL Aromas India Private Limited)	2.40	2.40
		TOTAL - C	202,98.05	217,98.05
D. NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES & BONDS				
ICICI Bank Limited	1,47,981	Equity shares of Rs. 10 each fully paid (quoted)	1,65.20	1,65.20
	—	(2002 - 1) 9.84% non-transferable deposit receipt of Face value of Rs. 5,000 lakhs (Matured during the year) (Current Investments)	—	50,00.00
Paras Extra Growth Seeds Limited	73,12,400	Equity shares of Rs. 10 each fully paid	8,41.53	8,41.53
Indian Railway Finance Corporation	30,000	10.50% Eleventh Series Tax Free Non-Cumulative Bonds of Rs. 1,000 each (Current Investments)	3,00.00	3,00.00
	30,000	10.50% Twelfth A Series Tax Free Non-Cumulative Bonds of Rs. 1,000 each (Current Investments)	3,00.00	3,00.00
	3,00,000	10.50% Twelfth A Series Tax Free Secured Redeemable Non-Cumulative Bonds of Rs. 1,000 each (Current Investments)	30,00.00	30,00.00
SBI Home Finance Limited	1,44,200	Equity shares of Rs. 10 each fully paid (quoted)	14.42	14.42
Maharashtra Krishna Valley Development Corporation	—	(2002 - 25) 17.50% Secured Bonds of the face value of Rs. 1,00,000 each (Redeemed during the year) (Listed but not quoted)	—	25.00
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs. 10 each fully paid	24.00	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs. 10 each fully paid	0.83	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures (Face value Rs. 0.14 lakh)	0.17	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs. 0.27 lakh)	0.27	0.27
	44	1/2 % Debentures of Rs. 100 each (Face value Rs. 0.05 lakh : Cost Rs. 100)	—	—
Shillong Club Limited	56	5 % Debentures of Rs. 100 each (Cost Rs. Nil)	—	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs. 100 each fully paid	0.20	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs. 10 each fully paid	10.00	10.00
Scooters India Limited	10,000	Equity shares of Rs. 10 each fully paid (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 Co-operative Bank Limited	1,000	Equity shares of Rs. 10 each fully paid	0.10	0.10
National Bank for Agriculture and Rural Development	1,06,705	8.50% Capital Gains Bonds of Rs. 10,000 each	106,70.50	106,70.50
	34,690	8% Capital Gains Bonds of Rs. 10,000 each	34,69.00	34,69.00
	15,500	5.25% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	15,50.00	—
	9,250	5.50% Capital Gains Bonds of Rs. 10,000 each (Purchased during the year)	9,25.00	—
National Highways Authority of India	1,31,250	8% 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 (Purchased during the year)	50,00.00	—

Schedules to Balance Sheet

			2003 Rs. lakhs	2002 Rs. lakhs
6. INVESTMENTS (Contd.)				
(Long-term, Unquoted, unless otherwise stated)				
OTHERS				
Unit Trust of India	370	Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs.100 each	0.37	0.37
	4,637	(2002-40,590) Units of Rs.10 each under the Unit Scheme - 64 (Current Investments) (Converted into 6.75% Tax Free US 64 Bonds, units of Rs.100 each)	4.64	2.44
	48,73,200	Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments) (Purchased during the year)	49,99.90	—
Prudential ICICI Mutual Fund	—	(2002-87,84,096) Units of Prudential ICICI Gilt Fund-Treasury Plan-Growth (Sold during the year)	—	9,50.00
	—	(2002-1,20,00,000) Units of Prudential ICICI Fixed Maturity Plan-Growth Yearly-Series VI (Sold during the year) (Current Investments)	—	12,00.00
	—	Units of Prudential ICICI Institutional Income Plan Dividend (9,13,19,818 units purchased during the year, 51,91,084 units cumulated and 9,65,10,902 units sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Institutional Income Plan Dividend Quarterly (17,67,82,087 units purchased, 18,71,105 units cumulated and 17,86,53,192 units sold during the year) (Current Investments)	—	—
	—	(2002-2,35,63,385) Units of Prudential ICICI Income Plan-Growth (Sold during the year) (Current Investments)	—	39,30.16
	—	Units of Prudential ICICI Institutional Income Plan-Growth (1,81,45,809 purchased and sold during the year) (Current Investments)	—	—
	—	(2002-2,55,96,241) Units of Prudential ICICI Short Term Plan-Dividend Reinvestment Option (Sold during the year) (Current Investments)	—	26,65.94
	—	Units of Prudential ICICI Institutional Short Term Plan-Dividend Reinvestment Option (3,71,35,749 units purchased and sold during the year) (Current Investments)	—	—
	4,63,20,028	Units of Prudential ICICI Institutional Short Term Plan-Dividend Reinvestment Fortnightly (35,60,71,480 units purchased, 16,98,641 units cumulated and 31,14,50,093 units sold during the year) (Current Investments)	50,18.39	—
	—	Units of Prudential ICICI Short Term Plan-Cumulative Option (3,34,97,850 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Institutional Short Term Plan-Cumulative Option (1,72,30,091 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of Prudential ICICI Liquid Plan Growth (11,41,45,491 units purchased and sold during the year) (Current Investments)	—	—
	66,73,849	Units of Prudential ICICI Institutional Liquid Plan-Growth (17,73,50,476 units purchased and 17,06,76,627 units sold during the year) (Current Investments)	10,16.60	—
	4,56,40,665	Units of Prudential ICICI Liquid Plan Institutional Plus-Growth Option (Purchased during the year) (Current Investments)	70,00.00	—
	—	Units of Prudential ICICI Institutional Liquid Plan-Dividend Option (60,57,91,896 units purchased, 20,60,936 units cumulated and 60,78,52,832 units sold during the year) (Current Investments)	—	—
	12,58,75,866	Units of Prudential ICICI Liquid Plan Institutional Plus-Weekly Dividend Option (36,65,69,245 units purchased, 13,08,883 units cumulated and 24,20,02,262 units sold during the year) (Current Investments)	149,24.09	—
	—	(2002-1,85,47,054) Units of Prudential ICICI Gilt Fund-Treasury Plan-Growth (Sold during the year) (Current Investments)	—	25,05.36
	—	Units of Prudential ICICI Floating Rate Plan-Dividend (1,79,31,323 units purchased and sold during the year) (Current Investments)	—	—
	96,84,011	Units of Prudential ICICI Floating Rate Plan-Growth (Purchased during the year) (Current Investments)	10,00.00	—
DSP Merrill Lynch Mutual Fund	—	(2002-95,01,549) Units of DSP Merrill Lynch Govt. Securities Fund-Plan B-Growth (Sold during the year)	—	10,00.00
	—	Units of DSP Merrill Lynch Bond Fund Retail-Dividend (1,34,08,824 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of DSP Merrill Lynch Bond Fund-Institutional Plan Dividend (3,93,04,256 units purchased, 10,85,466 units cumulated and 4,03,89,722 units sold during the year) (Current Investments)	—	—

Schedules to Balance Sheet

		2003 Rs. lakhs	2002 Rs. lakhs
6. INVESTMENTS (Contd.) (Long-term, Unquoted, unless otherwise stated)			
	— Units of DSP Merrill Lynch Liquidity Fund-Growth (1,05,70,609 units purchased and sold during the year) (Current Investments)	—	—
2,52,68,330	(2002-4,576) Units of DSP Merrill Lynch Liquidity Fund-Weekly Dividend (17,90,92,227 units purchased, 7,64,254 units cumulated and 15,45,92,727 units sold during the year) (Current Investments)	31,34.37	0.57
—	(2002-1,50,00,000) Units of DSP Merrill Lynch Short Term Fund-Growth (1,49,98,213 units purchased and 2,99,98,213 units sold during the year) (Current Investments)	—	15,00.00
—	Units of DSP Merrill Lynch Short Term Fund-Dividend (1,92,06,208 units purchased, 5,36,695 units cumulated and 1,97,42,903 units sold during the year) (Current Investments)	—	—
—	Units of DSP Merrill Lynch Short Term Fund-Weekly Dividend (5,48,80,025 units purchased, 2,08,837 units cumulated and 5,50,88,862 units sold during the year) (Current Investments)	—	—
Standard Chartered Mutual Fund	10,33,04,308 Units of Grindlays Cash Fund-Institutional Plan B Growth (18,56,03,040 units purchased and 8,22,98,732 units sold during the year) (Current Investments)	120,00.00	—
2,59,85,754	Units of Grindlays Cash Fund-Institutional Plan B Weekly Dividend (82,31,12,762 units purchased, 21,15,724 units cumulated and 79,92,42,732 units sold during the year) (Current Investments)	26,76.58	—
—	Units of Grindlays Cash Fund Growth (7,12,97,574 units purchased and sold during the year) (Current Investments)	—	—
97,54,099	Units of Grindlays Floating Rate Institutional Plan B Growth (Purchased during the year) (Current Investments)	10,00.00	—
—	Units of Grindlays Floating Rate Institutional Plan B Weekly Dividend (3,89,70,085 units purchased, 66,752 units cumulated and 3,90,36,837 units sold during the year) (Current Investments)	—	—
—	Units of Grindlays Floating Rate Fund Growth (2,99,73,629 units purchased and sold during the year) (Current Investments)	—	—
4,61,06,965	Units of Grindlays Super Saver Income Fund-Short Term Plan B Institutional Plan-Monthly Dividend Option (23,09,95,097 units purchased, 8,38,702 units cumulated and 18,57,26,834 units sold during the year) (Current Investments)	47,27.50	—
2,29,73,754	Units of Grindlays Super Saver Income Fund-Short Term Plan B Institutional Plan-Growth Option (Purchased during the year) (Current Investments)	28,99.79	—
—	Units of Grindlays Super Saver Income Fund-Investment Plan B Institutional Plan-Growth Option (65,05,800 units purchased and sold during the year) (Current Investments)	—	—
—	Units of Grindlays Super Saver Income Fund-Investment Plan B Institutional Plan-Quarterly Dividend (7,58,24,701 units purchased, 5,33,070 units cumulated and 7,63,57,771 units sold during the year) (Current Investments)	—	—
—	(2002-2,08,04,380) Units of Grindlays Super Saver Income Fund-Investment Plan-Growth Option (Sold during the year) (Current Investments)	—	27,53.17
—	(2002-4,05,15,284) Units of Grindlays Super Saver Income Fund-Short Term Plan-Dividend Option (2,31,235 units cumulated and 4,07,46,519 units sold during the year) (Current Investments)	—	40,69.90
—	Units of Grindlays Super Saver Income Fund-Short Term Plan-Growth (3,49,02,537 units purchased and sold during the year) (Current Investments)	—	—
HDFC Mutual Fund (formerly Zurich India Mutual Fund)	— (2002-1,33,96,617) Units of Zurich India High Interest Fund-Regular Growth (Sold during the year) (Current Investments)	—	25,86.77
—	Units of Zurich India Liquidity Fund-Saving Plan-Weekly Dividend (1,56,23,824 units purchased, 14,330 units cumulated and 1,56,38,154 units sold during the year) (Current Investments)	—	—
—	(2002-3,05,88,836) Units of Zurich India High Interest Fund-Short Term Plan-Dividend (9,19,51,671 units purchased, 3,59,546 units cumulated and 12,29,00,053 units sold during the year) (Current Investments)	—	31,14.89
—	Units of Zurich India High Interest Fund-Short Term Plan-Growth (2,91,44,308 units purchased and sold during the year) (Current Investments)	—	—
—	Units of Zurich India Cash Management Fund Savings Plan-Weekly Dividend Reinvestment (2,50,58,703 units purchased, 54,874 units cumulated and 2,51,13,577 units sold during the year) (Current Investments)	—	—

Schedules to Balance Sheet

			2003 Rs. lakhs	2002 Rs. lakhs
6. INVESTMENTS (Contd.)				
		(Long-term, Unquoted, unless otherwise stated)		
HDFC Mutual Fund	—	Units of Zurich India Cash Management Fund Savings Plan-Growth (2,27,41,469 units purchased and sold during the year) (Current Investments)	—	—
	—	(2002-2,31,32,719) Units of HDFC Income Fund-Growth (Sold during the year) (Current Investments)	—	30,85.42
	41,95,754	Units of HDFC Liquid Fund-Premium Plus Plan-Dividend Reinvestment (26,26,60,838 units purchased, 11,92,923 units cumulated and 25,96,58,007 units sold during the year) (Current Investments)	5,01.94	—
	5,71,33,345	Units of HDFC Liquid Fund-Premium Plus Plan-Growth (16,53,62,364 units purchased and 10,82,29,019 units sold during the year) (Current Investments)	71,00.00	—
	—	Units of HDFC Short Term Plan-Premium Plus Plan-Dividend Reinvestment (16,24,98,678 units purchased, 11,23,784 units cumulated and 16,36,22,462 units sold during the year) (Current Investments)	—	—
	1,90,07,363	Units of HDFC Cash Management Fund-Savings Plan-Weekly-Dividend Reinvestment (6,11,42,342 units purchased, 2,59,101 units cumulated and 4,23,94,080 units sold during the year) (Current Investments)	20,20.49	—
	—	Units of HDFC Income Fund-Premium Plus Plan-Dividend (11,48,07,267 units purchased, 15,80,025 units cumulated and 11,63,87,292 units sold during the year) (Current Investments)	—	—
	—	Units of HDFC Income Fund-Premium Plus Plan-Growth (1,67,23,862 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of HDFC Liquid Fund-Growth (8,81,26,187 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of HDFC Liquid Fund-Premium Plan-Growth (1,02,21,935 units purchased and sold during the year) (Current Investments)	—	—
Alliance Capital Mutual Fund	—	(2002-2,05,22,049) Units of HDFC Short Term Plan-Dividend Reinvestment (Sold during the year) (Current Investments)	—	20,59.55
	—	Units of HDFC Short Term Plan-Growth (1,92,35,458 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of Liquid Fund-Premium Plan-Dividend Reinvestment (1,87,35,812 units purchased, 2,17,373 units cumulated and 1,89,53,185 units sold during the year) (Current Investments)	—	—
	—	(2002-1,22,00,054) Units of Alliance Income Fund-Regular Growth (Sold during the year) (Current Investments)	—	24,43.78
	—	Units of Alliance Income Fund-Regular Dividend (93,51,738 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of Alliance Income Fund-Quarterly Dividend (2,42,52,772 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of Alliance Cash Manager-Growth (2,37,31,559 units purchased and sold during the year) (Current Investments)	—	—
	—	Units of Alliance Cash Manager-Institutional Plan-Weekly Dividend (7,74,78,663 units purchased, 4,15,042 units cumulated and 7,78,93,705 units sold during the year) (Current Investments)	—	—
	4,53,63,796	Units of Birla Cash Plus Monthly-Dividend Reinvestment (4,51,99,799 units purchased and 1,63,997 units cumulated during the year) (Current Investments)	45,38.56	—
	—	Units of Birla Cash Plus Institutional Plan-Dividend Reinvestment (12,51,74,334 units purchased, 3,55,032 units cumulated and 12,55,29,366 units sold during the year) (Current Investments)	—	—
Birla Sunlife Mutual Fund	6,86,64,645	Units of Birla Cash Plus Institutional Plan-Growth (11,66,52,514 units purchased and 4,79,87,869 units sold during the year) (Current Investments)	114,40.92	—
	—	Units of Birla Gilt Plus Liquid Plan-Annual Dividend-Payout (1,31,67,337 units purchased and sold during the year) (Current Investments)	—	—
	5,07,85,291	Units of Deutsche Short Maturity Fund-Growth Plan (9,87,42,322 units purchased and 4,79,57,031 units sold during the year) (Current Investments)	54,00.00	—
	—	Units of Deutsche Short Maturity Fund-Weekly Dividend Plan (2,95,55,786 units purchased, 1,54,065 units cumulated and 2,97,09,851 units sold during the year) (Current Investments)	—	—
	—	Units of Deutsche Premier Bond Fund Institutional Plan-Growth Plan (2,77,98,112 units purchased and sold during the year) (Current Investments)	—	—
Deutsche Mutual Fund				

Schedules to Balance Sheet

6. INVESTMENTS (Contd.)

(Long-term, Unquoted, unless otherwise stated)

			2003 Rs. lakhs	2002 Rs. lakhs
HSBC Mutual Fund	2,49,55,473	Units of Deutsche Insta Cash Plus Fund-Weekly Dividend Plan (7,40,58,525 units purchased, 3,40,157 units cumulated and 4,94,43,209 units sold during the year) (Current Investments)	25,25.34	—
	98,75,711	Units of Deutsche Insta Cash Plus Fund-Growth Plan (3,87,85,801 units purchased and 2,89,10,090 units sold during the year) (Current Investments)	10,19.84	—
	—	Units of HSBC Cash Fund-Dividend (3,23,90,326 units purchased, 67,317 units cumulated and 3,24,57,643 units sold during the year) (Current Investments)	—	—
	2,88,14,569	Units of HSBC Cash Fund-Growth Plan (Purchased during the year) (Current Investments)	30,00.00	—
	1,90,04,903	Units of HSBC Cash Fund-Institutional-Growth Plan (Purchased during the year) (Current Investments)	20,00.00	—
Principal Mutual Fund	1,45,57,803	Units of HSBC Cash Fund-Institutional-Weekly Dividend Plan (3,83,05,646 units purchased, 1,88,888 units cumulated and 2,39,36,731 units sold during the year) (Current Investments)	15,20.24	—
	1,39,95,661	Units of Principal Cash Management Fund Liquid Option Institutional Plan-Dividend Reinvestment-Weekly (9,99,55,954 units purchased, 2,34,120 units cumulated and 8,61,94,413 units sold during the year) (Current Investments)	14,00.00	—
	7,17,96,029	Units of Principal Cash Management Fund Liquid Option-Institutional Plan-Growth Plan (Purchased during the year) (Current Investments)	73,12.10	—
Franklin Templeton Fund	1,30,80,425	Units of Templeton India Liquid Fund Growth (6,86,64,828 units purchased and 5,55,84,403 units sold during the year) (Current Investments)	20,05.72	—
	—	Units of Templeton India Liquid Fund-Weekly Dividend Reinvestment (18,12,03,435 units purchased, 4,52,265 units cumulated and 18,16,55,700 units sold during the year) (Current Investments)	—	—
	3,77,58,210	Units of Templeton Floating Rate Income Fund Short Term Plan Dividend Reinvestment (3,69,73,349 units purchased and 7,84,861 units cumulated during the year) (Current Investments)	37,78.24	—
	44,57,639	Units of Templeton Floating Rate Income Fund Short Term Plan-Growth (3,69,94,467 units purchased and 3,25,36,828 units sold during the year) (Current Investments)	5,00.00	—
	3,48,550	Units of Templeton India Treasury Management Account-Weekly Dividend Reinvestment (17,84,089 units purchased, 7,421 units cumulated and 14,42,960 units sold during the year) (Current Investments)	43,37.31	—
	—	Units of Templeton India Treasury Management Account-Growth (4,47,478 units purchased and sold during the year) (Current Investments)	—	—
	—	(2002-3,72,211) Units of Templeton India Short Term Income Plan-Growth (7,14,595 units purchased and 10,86,806 units sold during the year) (Current Investments)	—	40,00.00
	—	Units of Templeton India Short Term Income Plan-Weekly Dividend Reinvestment (13,10,912 units purchased, 9,643 units cumulated and 13,20,555 units sold during the year) (Current Investments)	—	—
	—	Units of Templeton India Income Builder Account-Institutional Plan-Dividend Reinvestment (6,27,75,528 units purchased, 22,01,077 units cumulated and 6,49,76,605 units sold during the year) (Current Investments)	—	—
	—	(2002-99,47,578) Units of Templeton India Income Builder Account-Institutional Plan-Growth (4,39,83,481 units purchased and 5,39,31,059 units sold during the year) (Current Investments)	—	10,17.38
	—	Units of Templeton India Income Builder Account Plan A Monthly Dividend Reinvestment (3,34,93,208 units purchased and sold during the year) (Current Investments)	—	—
		TOTAL - D	1602,00.15	758,32.92
		TOTAL - (A+B+C+D)	2605,14.81	2397,75.25
Provision for diminution in value of long term investments			(30,21.73)	(33,01.15)
Refer Note 22 to the Profit and Loss account		TOTAL	2574,93.08	2364,74.10
Aggregate book value of investments	Unquoted		1967,89.39	1455,18.37
	Listed but not quoted		1.00	26.00
	Quoted - Market Value Rs. 803,76.32 lakhs		607,02.69	909,29.73
	(2002 - Rs. 963,10.34 lakhs)			
		TOTAL	2574,93.08	2364,74.10

Schedules to Balance Sheet

	2003 Rs. lakhs	2002 Rs. lakhs
7. INVENTORIES (at lower of cost and net realisable value)		
Stores and spare parts, etc.	36,98.19	32,39.26
Raw materials	561,47.27	556,29.08
Packing materials	79,72.41	64,58.53
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
Property Development Activity - Work-in-progress (Refer 15 of Notes to Profit and Loss Account)	65.09	13,65.22
	1392,63.34	1278,73.62
8. SUNDRY DEBTORS (unsecured)		
Considered good		
Over 6 months old	11,11.86	7,68.12
Others	459,73.15	360,16.92
	470,85.01	367,85.04
Considered doubtful		
Over 6 months old	64,16.63	27,99.35
Others	—	8,76.08
	64,16.63	36,75.43
	535,01.64	404,60.47
Less : Provision for doubtful debts	(64,16.63)	(36,75.43)
	470,85.01	367,85.04
9. CASH AND BANK BALANCES		
Cash on hand	1,38.33	1,32.08
With Scheduled banks - on current accounts	194,48.32	251,69.96
- on deposit accounts	610,53.27	689,52.37
Non-Scheduled banks - on current account	8.19	8.19
Nepal Grindlays Bank Limited (Maximum amount outstanding during the year Rs. 8.19 lakhs; 2002 - Rs. 8.19 lakhs)		
	806,48.11	942,62.60
10. OTHER CURRENT ASSETS		
Income accrued on investments	48,54.17	39,47.43
Dividends receivable from subsidiary companies	4,13.93	1,84.00
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	9,81.71	4,98.79
	62,49.81	46,30.22

Schedules to Balance Sheet

	2003 Rs. lakhs	2002 Rs. lakhs
11. LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances and loans to subsidiaries		
Considered good (including Rs. 30,00.00 lakhs (2002 - Rs. 30,00.00 lakhs) secured by equitable mortgage on immovable properties)	161,00.96	123,30.36
Considered doubtful	3,00.00	3,00.00
	164,00.96	126,30.36
Less : Provision for doubtful advances	(3,00.00)	(3,00.00)
	161,00.96	123,30.36
Advances recoverable in cash or in kind or for value to be received [including :-	465,83.02	579,32.99
(i) Rs. 110,47.61 lakhs (2002 - Rs. 145,98.00 lakhs) not due before 31st December, 2004;		
(ii) Rs. 30.28 lakhs (2002 - Rs. 30.17 lakhs) due from officers of the Company - maximum amount due during the year Rs. 31.02 lakhs (2002 - Rs. 30.86 lakhs);		
(iii) Rs. 26.92 lakhs (2002 - Rs. 4,33.30 lakhs) due from the directors of the Company - maximum amount due during the year Rs. 4,70.65 lakhs (2002 - Rs. 4,67.73 lakhs) and		
(iv) Rs. 10,00.00 lakhs (2002 - Rs. 108,00.00 lakhs) on account of inter corporate deposits].		
Considered doubtful	47,57.91	49,48.49
	513,40.93	628,81.48
Less : Provision for doubtful advances	(47,57.91)	(49,48.49)
	465,83.02	579,32.99
Receivable from Paras Extra Growth Seeds Limited	16,80.00	16,80.00
Deposits with Customs, Port Trust, Excise, etc.	125,68.64	75,55.29
Current taxation (payments in excess of provision)	—	56.76
	769,32.62	795,55.40
12. LIABILITIES		
Acceptances	598,21.66	324,53.35
Sundry creditors (see Schedule 19)		
Small Scale Industrial Undertakings	47,93.05	42,07.56
Others	1792,70.74	2029,92.11
	1840,63.79	2071,99.67
Advances and progress payments - Property Development Activity	1,54.26	11,39.60
Security advances	17,69.24	26,27.96
Dividends declared pending payment / encashment	32,88.01	28,57.26
Interest accrued but not due on loans	68,51.36	2,56.25
	2559,48.32 *	2465,34.09 *

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

Schedules to Balance Sheet

	2003 Rs. lakhs	2002 Rs. lakhs
13. PROVISIONS		
Provision for retirement / post retirement benefits and other employee benefits	515,75.95	515,75.43
Proposed dividend	660,37.31	660,37.31
Current taxation (provisions in excess of payments) including tax on distributed profits	67,30.12	—
Other provisions	67,68.01	29,42.60
	1311,11.39	1205,55.34
14. DEFERRED TAX ASSETS		
On employee separation and retirement	210,07.74	211,13.99
On other timing differences	130,02.24	122,73.38
On fiscal allowances on investments	6,65.45	7,52.90
Other items	30,33.70	45,90.36
	377,09.13	387,30.63
15. DEFERRED TAX LIABILITIES		
On fiscal allowances on fixed assets	109,65.19	117,38.49
	109,65.19	117,38.49
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. 560,72.24 lakhs (2002 - Rs. 493,05.42 lakhs) net of tax	436,39.41	376,12.79
(ii) Bills discounted but not matured	29,66.91	73,33.47
(iii) Guarantees given to banks, etc. in respect of third parties	12,28.01	33,73.98
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 : Essem Technologies Pvt. Ltd., JO Bland Enterprises, Kayen Print Process (P) Ltd., Dekem & Co., Lihala Packaging (P) Ltd., Mandagini Agencies, Primepack, Srivari Graphics (P) Ltd., Tirupathi Packaging and Tristar Packaging. The above information and that given in Schedule 12 - "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 Company. This has been relied upon by the auditors.		

Schedules to Balance Sheet

20. Interests in Joint Ventures:

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

Name	Country of Incorporation	Percentage of ownership interest as at 31st December, 2003
Kimberly Clark Lever Private Limited	India	50%
Quest International India Limited	India	49%

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

		As at 31st December, 2003 (Rs. lakhs)
I. ASSETS		
1.	Fixed Assets	51,93.51
2.	Investments	13,35.12
3.	Current Assets, Loans and Advances	
a)	Inventories	9,17.17
b)	Sundry Debtors	8,97.81
c)	Cash and Bank Balances	30,82.04
d)	Other Current Assets	1,36.92
e)	Loans and Advances	4,07.65
4.	Deferred Tax Net	(4,39.39)
II. LIABILITIES		
1.	Current Liabilities and Provisions	
a)	Liabilities	(25,11.89)
b)	Provisions	(2,59.12)
		For the year ended 31st December, 2003 (Rs. lakhs)
III. INCOME		
1.	Sales (net of excise duty)	70,11.70
2.	Other Income	2,83.08
IV. EXPENSES		
1.	Operating Expenses	(56,09.76)
2.	Depreciation	(3,34.49)
3.	Provision for Taxation (including deferred taxation)	(1,86.81)
V. OTHER MATTERS		
	Contingent Liabilities	8.28

As this is the first year of adoption of Accounting Standard 27 - Financial Reporting of Interests in Joint Venture figures for the previous year have not been presented.

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

Statements forming part of the Profit and Loss Account

	Licensed Capacity		Installed Capacity	
	2003 Tonnes	2002 Tonnes	2003 Tonnes	2002 Tonnes
1. Licensed/Installed annual capacities : on single shift basis (unless otherwise stated)				
Scheduled :				
Processed triglycerides/ hydrogenated oils/vanaspati	38,950	77,669	12,333	54,833
Soaps	3,77,538	3,48,538	2,21,916	2,21,083
Synthetic detergents	4,46,580	3,86,580	2,82,946	2,82,946
Personal products (h)	2,19,231	2,17,564	87,920	87,920
Glycerine	11,524	11,524	6,655	6,655
Fine chemicals (d)	2,417	2,417	1,508	1,508
Organic Speciality Chemicals	367	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	93,000	48,333	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	22,508	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	650	650
Functionalised biopolymer (e)	7,875	7,875	6,250	6,250
Zeolites (e)	5,000	5,000	—	—
Frozen Surimi, Fresh and Frozen fish, Molluscs, etc.	41,481	13,000	31,796	13,000
Edible Groundnut Flour, Protein Foods, etc.	7,667	7,667	3,796	3,796
Synthetic Beverages, Processed Foods, etc.	39,851	39,851	39,216	39,216
Canned and Processed Fruits and Vegetable	—	20,900	—	34,080
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.	N.A.	2,96,803	2,96,803
Garden Tea	N.A.	N.A.	Not Ascertainable	Not Ascertainable
Packed Coffee	N.A.	N.A.	9,300	9,300
Margarine	N.A.	N.A.	—	—
Scourers (f)	N.A.	N.A.	6,800	6,800
Refined Oils	N.A.	N.A.	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 licenses. 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 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 licenses.

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 licenses.

Statements forming part of the Profit and Loss Account

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

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 licenses.

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 licenses.

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 licenses.

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/licenses 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.

	2003 Tonnes	2002 Tonnes
Processed triglycerides / hydrogenated oils / vanaspati	21,754**	31,052**
Soaps	327,333**	3,58,249**
Synthetic detergents	7,13,771**	7,74,435**
Personal Products ('000 nos.)	310,50,82	220,25,65
Glycerine : Refined	6,530**	7,794**
Fine chemicals	1,395**	1,329**
Carpets, druggets and other floor coverings (pieces)	—	17,582
Packed Tea	79,058**	80,674**
Garden Tea	19,000	19,560
Instant Tea	821	602
Packed Coffee	11,770**	11,579**
Footwear, shoe uppers and other components (pairs)	—	3,50,596
Functionalised biopolymers	8,979	11,933
Processed Foods	21,363	15,867
Canned and Processed Fruits and Vegetables	25,634**	12,082**
Frozen Desserts (Million Ltrs.)	4	4
Margarine	4,640	9,035

** Includes :

- (a) Third party processing :

Soaps - 52,008 tonnes (2002 - 79,883 tonnes), Synthetic detergents - 3,25,381 tonnes (2002 - 3,60,109 tonnes), Glycerine - 520 tonnes (2002 - 547 tonnes), Fine Chemicals - 283 tonnes (2002 - 199 tonnes), Packed Tea - 9,860 tonnes (2002 - 6,528 tonnes), Packed Coffee - 5,109 tonnes (2002 - 4,721 tonnes), Canned and Processed Fruits and Vegetables - 11,305 tonnes (2002 - 5,410 tonnes).

- (b) Processing in leased units : Processed triglycerides / hydrogenated oil / vanaspati - 7,584 tonnes (2002 - 9,755 tonnes).

Statements forming part of the Profit and Loss Account

	2003		2002	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
3. Sales (including exports)				
Soaps	3,71,394	2330,93.39	3,79,786	2247,60.80
	841*		679*	
Synthetic detergents	8,91,331	1847,20.02	9,02,561	1929,75.01
	1,361*		761*	
Personal Products ('000 nos.)	661,45,07	2391,02.76	467,92,14	2087,45.88
	20*		462*	
Garden Tea	12,054	54,39.27	3,097	15,39.83
	6,244*		15,325*	
Tea	1,10,943	1360,35.33	1,00,512	1344,96.07
Coffee	30,672	325,92.89	30,423	307,39.37
Frozen Desserts & Ice Creams (Million Ltrs.)	12	91,74.56	14	105,90.14
Processed triglycerides / hydrogenated oils / vanaspati (d)	76,932	349,45.48	1,16,877	496,00.88
Canned and Processed Fruits and Vegetables	35,197	198,18.15	26,540	156,57.54
Branded Staple Foods (a)	3,25,830	211,19.20	2,91,988	187,99.92
Speciality Chemicals (b)	16,015	86,69.03	18,908	90,57.71
	2,761*		5,999*	
Others (c)		8,91,25.24		985,22.15
		10138,35.32		9954,85.30

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, Flavours essences and Oleo chemicals.
 (c) Others includes Scourers, Marine products, Agri commodities, Leather, Footwear, Garments, Carpets and Mushroom, etc.
 (d) 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.

	2003		2002		2001	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
4. Closing stocks (including processed chemicals)						
Processed triglycerides / hydrogenated oils / vanaspati	2,067	7,26.67	7,387	29,21.53	9,471	31,51.24
Soaps	35,474	178,65.01	27,060	143,71.00	28,564	121,73.44
Synthetic detergents	46,948	103,59.40	36,849	83,54.00	45,492	107,15.69
Personal Products ('000 nos.)	135,72,23	245,04.78	134,60,41	190,88.00	82,79,35	173,13.83
Glycerine : Refined	124	1,77.94	138	1,30.36	152	83.11
Fine Chemicals	118	3,14.13	109	4,04.34	214	7,19.66
Plant growth nutrient	—	—	—	—	37	28.00
Catalyst	—	—	—	—	23	40.93
Tea	4,858	33,34.99	5,363	36,67.97	6,669	45,64.98
Coffee	950	10,56.53	1,077	11,44.21	782	5,67.28
Carpets (pieces)	—	—	—	—	3,954	1,10.98
Footwear (pairs)	—	—	—	—	43,929	2,60.91
Functionalised biopolymers	178	36.45	291	56.44	594	1,58.77
Others		72,00.20		64,50.00		89,09.94
		655,76.10		565,87.85		587,98.76

Note :

In addition, stocks on 1st July, 2001 of the International Bestfoods Limited and Aviance Limited, taken over consequent to the Scheme of Amalgamation : Personal Products ('000 nos.) - 5,22; Rs. 1,91.16 lakhs, Others Rs. 4,89.48 lakhs.

	2003		2002	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
5. Raw materials consumed @				
Oils, fats and rosins	2,74,117	725,53.86	2,89,699	692,50.36
Chemicals and perfumes	8,60,754	1181,59.45	9,37,730	1203,95.06
Tea and Green Leaf *	1,82,691	668,06.24	1,95,191	612,32.39
Coffee	31,190	117,91.34	33,847	106,70.18
Others		529,75.25		623,22.47
		3222,86.14		3238,70.46

* 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

		2003		2002	
		%	Rs. lakhs	%	Rs. lakhs
Raw materials	- Imported	14	443,60.99	18	573,83.96
	- Indigenous	86	2779,25.15	82	2664,86.50
Spare parts and components (including stores)	- Imported	37	18,17.18	28	9,46.48
	- Indigenous	63	30,44.76	72	24,21.24
			2003		2002
			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	604,95.87	660,89.13
Spare parts and components	17,27.92	8,66.07
Capital goods	12,78.87	16,61.32
	<u>635,02.66</u>	<u>686,16.52</u>

8. Purchase of goods

Purchase of goods		2003		2002	
	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs	
Soaps	53,316	221,71.93	20,712	66,16.60	
Synthetic detergents	1,89,020	224,25.48	1,20,244	144,72.90	
Personal Products ('000 nos.)	352,06,27	506,73.60	299,52,17	502,05.84	
Marine Products	532	3,35.94	419	8,98.45	
Ice creams (Million Ltrs.)	8	46,67.77	10	53,08.74	
Others (agri commodities, scourers, edible oils and fats, etc.)		602,01.54		683,27.70	

Total	1604,76.26	1458,30.23
Less : Excise duty on purchases	(175,00.56)	(163,58.38)
	<u>1429,75.70</u>	<u>1294,71.85</u>
	2003	2002
	Rs. lakhs	Rs. lakhs

9. Earnings in foreign exchange

Exports at FOB (including exports to Nepal and Bhutan)	1178,78.25	1135,81.03
Royalty	68.56	1,08.79
Others (income from services, freight, insurance, claims, proceeds from sale of fixed assets, etc.)	99,35.63	104,30.58
	<u>1278,82.44</u>	<u>1241,20.40</u>

10. Expenditure in foreign currency

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

Consultancy	6,38.65	7,49.14
Royalty	54,71.68	53,63.12
Other matters :		
(a) Imports of goods for resale	68,17.44	63,73.64
(b) Others	67,72.84	62,39.73
	<u>197,00.61</u>	<u>187,25.63</u>

11. Net dividend remitted in foreign currency

2001 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	—	241,34.98
2002 Interim to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	—	241,34.98
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	—
	<u>785,76.97</u>	<u>482,69.96</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

	2003 Rs. lakhs	2002 Rs. lakhs
13. Directors' remuneration		
Salaries	2,01.91	1,93.62
Performance Linked Bonus / Commission to Wholetime Directors	3,90.83	3,71.76
Commission to Non-Wholetime Directors	25.00	23.10
Contribution to provident fund	57.38	55.17
Other perquisites*	1,03.06	82.10
	<u>7,78.18</u>	<u>7,25.75</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. 12.28 lakhs (2002 : Rs. nil).

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

	2003 Rs. lakhs	2002 Rs. lakhs
Net Profit after taxation	1771,79.40	1769,73.63
Add :		
Depreciation (as per accounts)	124,78.43	134,10.06
Directors' remuneration	7,78.18	7,25.75
Directors' fees	1.65	2.10
Provision / (write back) for doubtful debts and advances (net)	25,50.62	(8,65.30)
Book deficit / (surplus) on fixed assets sold, scrapped, etc. (net)	(10,76.15)	4,08.67
Surplus on disposal of investments (net)	(46,38.19)	(28,20.61)
Provision / (write back) for diminution in value of Investments and excess of cost over fair value of current investments (net), included in miscellaneous expenses	53.96	(1,95.76)
Provision for loss arising out of disposal of mushroom undertaking, included in exceptional items	19,03.00	—
Provision / (write back) for estimated losses on disposal of fixed assets, included in miscellaneous expenses and exceptional items	54,07.18	(17,18.00)
Taxation for the year (after considering exceptional items)	<u>396,18.70</u>	<u>421,44.83</u>
	<u>570,77.38</u>	<u>510,91.74</u>
	2342,56.78	2280,65.37
Less :		
Depreciation under Section 350	125,84.78	116,59.29
Profit on sale / transfer of businesses, etc; included in exceptional items (net)	56,20.30	114,74.90
Deficit / (Surplus) on disposal of fixed assets (net) under Section 349	<u>(21,20.09)</u>	<u>6,79.55</u>
	<u>160,84.99</u>	<u>238,13.74</u>
Net profit for Section 198 of the Companies Act, 1956	<u>2181,71.79</u>	<u>2042,51.63</u>
Commission to Non-Wholetime Directors at 1%	21,81.72	20,42.52
Commission to 4 Wholetime Directors for 12 months and 1 Wholetime Director for 10 months each at 1% per annum limited to 5% for all Wholetime Directors	<u>105,37.70</u>	<u>102,12.58</u>
Commission payable for the period	<u>4,15.83</u>	<u>3,94.86</u>

Notes to the Cash Flow Statement for the year ended 31st December, 2003

	2003 Rs. lakhs	2002 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	806,48.11	942,62.60
Unrealised loss / (gain) on foreign currency cash and cash equivalents	(1.73)	3.27
Total cash and cash equivalents	<u>806,46.38</u>	<u>942,65.87</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. Consideration on sale of Mushroom Exports business, considered under exceptional items (including Rs. 5,84.36 lakhs towards net current assets)	—	13,74.90
Cash and cash equivalent received	—	13,60.00
Balance receivable	14.90	14.90
Balance received during the year	14.90	—
4. Details of purchase consideration on selling seeds business, considered under exceptional items to PEGSL :		
Receivable from PEGSL for sale of Seeds business (including Rs. 39,12.06 lakhs towards net current assets)	—	115,02.00
Cash and cash equivalent received	—	(91,02.75)
Shares in PEGSL	—	(7,19.25)
Balance Receivable (Refer Schedule 11)	16,80.00	16,80.00
5. Balance consideration received on transfer of Nickel Catalyst and Adhesives businesses.	—	17,91.31
6. Consideration received on sale of Diversey Lever business, considered under exceptional items (including Rs. 7,35.85 lakhs towards net current assets)	—	56,03.97
7. In view of notes 2 to 6 above, the current year's figures are not comparable with those of the previous year.		
8. 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.		

Segment Information for the Year Ended 31st December, 2003

Information About Primary Business Segments

	2003 Rs. lakhs			2002 Rs. lakhs		
REVENUE	External	Intersegment	Total	External	Intersegment	Total
Soaps and Detergents	4379,42.86		4379,42.86	4385,02.23		4385,02.23
Personal Products	2410,17.69		2410,17.69	2095,04.61		2095,04.61
Beverages	1184,17.54		1184,17.54	1232,03.26		1232,03.26
Foods	602,45.94		602,45.94	714,49.93		714,49.93
Ice Creams	93,39.33		93,39.33	107,25.03		107,25.03
Exports	1246,30.69		1246,30.69	1256,05.31		1256,05.31
Other Operations	329,53.20	37,10.85	366,64.05	248,54.26	95,21.71	343,75.97
Total Segment	10245,47.25	37,10.85	10282,58.10	10038,44.63	95,21.71	10133,66.34
Eliminations			(37,10.85)			(95,21.71)
Total Revenue (see note 3 to Segment Information)			10245,47.25			10038,44.63
RESULT						
Soaps and Detergents			1088,28.42			1134,48.94
Personal Products			884,10.08			760,05.21
Beverage			224,83.65			243,59.02
Foods			56.46			(28,92.29)
Ice Creams			38.67			(14,38.85)
Exports			61,52.77			95,88.56
Other Operations			(15,00.46)			(1,32.14)
Total Segment			2244,69.59			2189,38.45
Eliminations			3,11.00			(6,55.00)
Total Consolidated			2247,80.59			2182,83.45
Un-allocated expenditure net of un-allocated income			(231,79.20)			(259,10.24)
Operating Profit			2016,01.39			1923,73.21
Interest expenses			(66,76.45)			(9,18.40)
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)			295,70.02			282,56.75
Taxation for the year (including adjustments of previous years)			(440,61.00)			(465,79.83)
Profit after taxation and before exceptional items			1804,33.96			1731,31.73
Exceptional items - income and expenditure (Segment)						
Detergents		(48,05.64)			—	
Foods		26,13.08			—	
Beverages		(9,49.30)			—	
Other Operations		(12,20.00)			121,59.37	
Exports		—			(6,84.47)	
			(43,61.86)			114,74.90
Exceptional items – income and expenditure (Unallocated / Corporate)			(33,35.00)			(120,68.00)
– Tax credit (net)			44,42.30			44,35.00
Net Profit			1771,79.40			1769,73.63

Segment Information for the Year Ended 31st December, 2003

Information About Primary Business Segments

Other Information	Segment Assets		Segment Liabilities	
	Rs. lakhs		Rs. lakhs	
	2003	2002	2003	2002
Soaps and Detergents	1414,70.74	1329,47.91	(1252,33.48)	(1152,44.32)
Personal Products	667,48.59	483,08.74	(455,18.31)	(391,58.14)
Beverages	361,57.03	341,98.33	(393,79.07)	(383,10.10)
Foods	136,60.12	160,66.75	(82,76.39)	(195,57.08)
Ice Creams	65,27.36	81,33.83	(59,09.59)	(84,05.26)
Exports	533,30.08	454,35.34	(192,98.86)	(189,31.02)
Other Operations	199,43.31	188,06.98	(79,98.62)	(82,84.14)
Total	3378,37.23	3038,97.88	(2516,14.32)	(2478,90.06)
Unallocated Corporate Assets / Liabilities	4444,90.71	4466,47.38	(3168,41.02)	(1367,67.62)
Total Assets / Liabilities	7823,27.94	7505,45.26	(5684,55.34)	(3846,57.68)

	Capital Expenditure		Depreciation		Non – Cash Expenses other than Depreciation	
	Year 2003	Year 2002	Year 2003	Year 2002	Year 2003	Year 2002
Soaps and Detergents	79,87.47	87,05.00	48,62.82	46,21.42	44,64.55	77.40
Personal Products	48,30.33	48,61.73	12,96.65	16,19.64	5,03.90	79.03
Beverages	5,04.94	3,33.86	6,42.23	7,13.24	4,02.07	(2,56.31)
Foods	2,54.37	2,88.69	4,54.75	12,59.31	9,40.84	85.79
Ice Creams	1,48.10	1,82.47	5,36.24	5,14.55	44.13	46.29
Exports	42,53.89	28,75.15	12,52.03	8,83.19	(97.34)	(1,12.01)
Other Operations	3,73.72	4,46.11	7,74.31	7,15.42	12,14.63	(4,83.92)

Segment Information for the Year Ended 31st December, 2003

Information About Secondary Business Segments

	2003 Rs. lakhs	2002 Rs. lakhs
Revenue by Geographical Market		
India	8943,37.36	8791,21.80
Outside India	1302,09.89	1247,22.83
Total	10245,47.25	10038,44.63
Additions to Fixed Assets and Intangible Assets		
India	183,52.82	176,93.01
Outside India	—	—
Total	183,52.82	176,93.01
Carrying Amount of Segment Assets		
India	3364,07.21	3021,97.35
Outside India	14,30.02	17,00.53
Total	3378,37.23	3038,97.88

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

Ice Cream Segment Result includes benefit arising out of early repayment of deferred sales tax liability of Rs. 10,93.84 lakhs (2002 - Rs. Nil lakhs).

Exports Segment Result for 2002 includes a charge of Rs. 13,91 lakhs (net) relating to prior periods.

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.

	2003 Rs. lakhs	2002 Rs. lakhs
3. Revenue comprise		
Sales	10138,35.32	9954,85.30
Income from services rendered (included in Other Income)	88,83.22	82,08.20
Income from property development activity (included in Other Income)	18,28.71	1,51.13
	10245,47.25	10038,44.63

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. [Refer Note 13(vi) of Notes to Profit and Loss Accounts]
Modern Food Industries (India) Ltd.
Paras Extra Growth Seeds Ltd (upto March 2002)
Daverashola Tea Company Ltd.
Pond's Exports Ltd.
Thiashola Tea Company Ltd.
Indigo Lever Shared Services Ltd. (formerly known as The Doolia Tea Company Ltd.)
Rossell Industries Ltd.
TOC Disinfectants Limited
Sum Electronics Private Ltd. (merged with Indexport Ltd. w.e.f. 01.04.2002)
Modern Food and Nutrition Industries Limited
Levers Associated Trust Limited
Levindra Trust Limited
Hindlever Trust Limited

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.
Van den Bergh Foods
Unilever Australia Export Pty. Ltd.
Unilever Australia Ltd.
Lever Brothers Bangladesh Ltd.
Unilever Canada
Unilever Cote d'Ivoire
Unilever Ghana Ltd.
Unilever Kenya Ltd.
UL 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 Limited (Also an Associate)
Unilever Industries Private Limited
Digital Securities Private Limited
Lever Faberge France
Unilever Tanzania Ltd.
Unilever Cambodia Ltd.
Lever Faberge Belgium
Unilever Maghreb Export SA, Tunisia
Unilever Company Ltd., China
Conopco INC, USA.
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

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2003 (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 V. Balaraman (upto 30th June, 2002) S.K. Dhall G. Kapur A.K. Mathur J.H. Mehta S. Ravindranath D. Sehgal G. Singh (upto 30th October, 2003) D. Sundaram A. Weijburg
(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, 2003

		2003 Rs. lakhs	2002 Rs. lakhs
(i) Holding Company	:		
	Dividend paid	1027,20.82	397,40.34
	Royalty paid	54,08.30	52,52.74
	Interest on 9% Debentures	21,63.62	—
	Debenture Allotment Money received	476,88.41	—
	Outstanding Balances:		
	- Payables at the year end	35,93.62	13,00.00
	- 9% Debentures	476,88.41	—
Enterprises where control exists			
(ii) Subsidiaries	:		
	Sale of finished goods / raw materials etc.	44,14.35	62,84.85
	Sale of fixed assets	1.15	3.34
	Sale of investments	389,27.58	219,98.02
	Interest received on sale of investments	7,78.33	5,94.14
	Royalty received	4,71.82	5,48.31
	Expenses shared by subsidiary companies	12,62.08	13,87.09
	Dividend received	40,13.93	22,37.82
	Interest received	14,49.79	11,57.65
	Processing charges received	2,75.76	2,43.83
	Rent received	3.00	—
	Processing charges paid	35.75	1,41.53
	Purchase of Fixed Assets	5.62	—
	Purchase of goods	53,12.59	73,77.86
	Commission paid	3.01	—
	Purchase of investments	158,18.76	136,57.81
	Interest paid on purchase of investments	2,78.44	3,02.02
	Rent paid	3.60	1.65
	Consideration received on transfer of businesses	—	145,19.50
	Investment in equity shares	—	23.97
	Investment in debentures	—	35,00.00
	Deposits - given during the year	—	9,16.29
	- Outstanding receivable at the year end	16,57.00	16,57.00
	Advances and loans :		
	- Outstanding receivable at the year end	161,00.96	126,30.36
	- Provision on receivables	3,00.00	3,00.00
	- Inter Corporate Deposits :		
	- Advanced during the year	28,34.05	43,30.00
	- Repayments during the year	6,20.00	43,80.00

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st December, 2003 (Contd...)

(iii)	Fellow Subsidiaries	:	Sale of finished goods / raw materials etc.	541,99.31	460,79.76
			Sale of fixed assets	—	8,34.11
			Sale of investments	497,16.50	428,38.44
			Interest received on sale of investments	10,87.90	12,70.73
			Royalty received	68.85	77.14
			Dividend received	9,47.76	10,33.92
			Rent received	1,10.00	—
			Interest received	79.02	61.39
			Income from services rendered	72,34.06	80,19.22
			Expenses shared by a fellow subsidiary	6,39.62	6,96.09
			Processing charges paid	39,99.68	48,96.53
			Purchase of goods	94,28.68	83,94.68
			Purchase of fixed assets	2,02.89	5,01.00
			Purchase of investments	413,64.07	446,89.71
			Interest paid on purchase of investments	9,30.96	13,37.26
			Dividend paid	439,47.13	170,02.14
			Royalty paid	1,55.00	1,55.00
			Interest on 9% Debentures	9,25.66	—
			Debenture Allotment Money received	204,02.56	—
			9% Debentures Outstanding	204,02.56	—
			Unsecured loans :		
			- Repaid during the year	—	6,59.73
			Advances and loans :		
			- Receivables	144,96.94	106,23.69
			- Payables	26,57.49	10,29.48
(iv)	Joint Ventures	:	Purchase of goods	81,07.91	58,80.66
			Sale of Goods	34.97	—
			Interest received	—	0.46
			Purchase of fixed asset	—	4.68
			Sale of fixed asset	—	17.95
			Advances and loans :		
			- Payables	69.05	25.74
			- Receivables	3,19.29	—
			- Inter Corporate Deposits :		
			- Advanced during the year	—	15.00
	- Repayments during the year	—	52.00		
(v)	Associate	:	Processing charges paid	25,88.33	—
			Outstanding Payable at the year end	640.74	—
(vi)	Key Management Personnel	:	Remuneration	14,69.32	13,87.34
			Rent Paid	47.63	14.84
			Dividend Paid	24.62	8.79
			Sale of Fixed Assets	5.11	—
			Interest on 9 % Debentures	0.51	—
			Debenture Allotment Money received	11.43	—
			9% Debentures Outstanding	11.43	—
			Debenture Interest Payable	0.51	—
			Advances and Progress Payments – Property Development Activity		
			- Sale of Flat	1,96.85	—
			- Outstanding at the year end	—	89.85
			- Received during the year	96.79	10.21
			Loans :		
			- Outstanding at the year end	27.30	5,32.81
	- Advanced during the year	9.30	1,01.54		
	- Repayments (including interest) during the year	5,14.82	5,29.05		
(vii)	Employees’ Benefit Plans where there is significant influence :		Contributions during the year	48,71.16	34,33.19
			Outstanding receivables at the year end	20,39.52	15,70.87

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

I. REGISTRATION DETAILS

Registration No.	11-2030
State Code	11
Balance Sheet Date	31.12.2003

**II. CAPITAL RAISED DURING THE YEAR
(AMOUNT IN RS. THOUSANDS)**

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS
(AMOUNT IN RS. THOUSANDS)**

Total Liabilities	78232794
Total Assets	78232794

SOURCES OF FUNDS

Paid-up Capital	2201244
Reserves and Surplus	19186016
Secured Loans	16036965
Unsecured Loans	1006079

APPLICATION OF FUNDS

Net Fixed Assets	13694684
Investments	25749308
Net Current Assets	(3688082)
Deferred Tax	2674394
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

**IV. PERFORMANCE OF COMPANY
(AMOUNT IN RS. THOUSANDS)**

Turnover (Total Income)	105981815
Total Expenditure	(83523219)
Profit/(Loss) Before Tax and Exceptional Items	22449496
Profit/(Loss) After Tax and Exceptional Items	17717940
Earnings Per Share (in Rs.)	8.05
Dividend Rate (%)	550

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF
THE COMPANY (AS PER MONETARY TERMS)**

Item Code No. (ITC Code)	34.01
Product Description	SOAP
Item Code No. (ITC Code)	34.02
Product Description	DETERGENTS
Item Code No. (ITC Code)	09.02
Product Description	TEA

Report of the Auditors to the Shareholders

1. We have audited the attached balance sheet of Hindustan Lever Limited as at 31st December, 2003, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. 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 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and read with General Circular No. 32/2003 dated 10th November, 2003 issued by the Department of Company Affairs, 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 :
 - i) 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;
 - ii) 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;
 - iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) 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 Companies Act, 1956;
 - v) on the basis of the written representations received from the directors, as on 31st December, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st December, 2003;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

S.R. Tata
(Partner)

Membership No. 38320
Mumbai : 17th February, 2004

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Membership No. 50087

Annexure to the Auditors' Report

(Referred to in Paragraph (3) thereof)

- (1) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. All the fixed assets have not been verified by the management during the year but, according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.
- (2) The fixed assets of the Company have not been revalued during the year.
- (3) The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In respect of stocks lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
- (5) The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the Company.
- (6) On the basis of our examination of stock records, in our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (7) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a Company on or after 31st October, 1998.
- (8) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a company on or after 31st October, 1998.
- (9) In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are generally repaying the principal amounts as stipulated or as rescheduled and have also been regular in the payment of interest where applicable.
- (10) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
- (11) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 or more in respect of each party, which have been made at prices, which are not reasonable having regard to the prevailing market prices, for such goods, materials or services, or the prices at which transactions for similar goods or services have been made with other parties.
- (12) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- (13) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975, with regard to deposits accepted from the public.
- (14) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable tea waste, by-products and scrap, where significant.
- (15) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (16) 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, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (17) According to the information and explanations given to us and according to the records of the Company, Provident Fund and Employees' State Insurance (ESI) dues, where applicable, have been regularly deposited during the year with appropriate authorities.
- (18) According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at 31st December, 2003 for a period of more than six months from the date they became payable.
- (19) According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account.
- (20) The Company is not a sick industrial company within the meaning of clause (o) sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (21) In respect of the Company's service activities, we further report that :
 - (a) there is a reasonable system of recording receipts, issues and consumption of materials and stores, where applicable, and allocating material consumed to the relative jobs;
 - (b) there is a reasonable system of allocating man-hours utilised, where applicable, to the relative jobs;
 - (c) there is a reasonable system of authorisation at proper levels, and an adequate system of internal control, on the issue of stores and allocation of stores and labour to jobs;
 commensurate with the size of the Company and nature of its business.
- (22) As explained to us, in respect of the trading activities of the Company, damaged goods have been determined and adequate provision has been made in the accounts for the loss arising on the items so determined.

For A.F. FERGUSON & CO.
Chartered Accountants

S.R. Tata
(Partner)
Membership No. 38320
Mumbai : 17th February, 2004

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)
Membership No. 50087

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 7.6% for 2003 (10.2% for 2002) 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 5.66% for 2003)

(+)

Market-risk premium (taken at 9%) (x) Beta variant for the Company, (taken at 0.81) 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 = 5.66% + 9% (x) 0.81 = 12.95%

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.

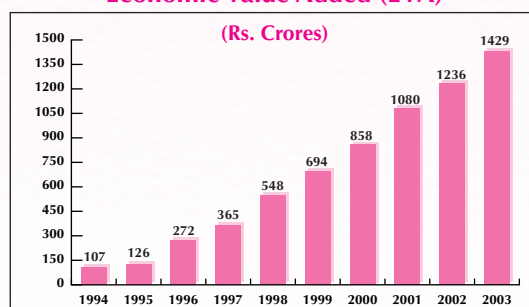
EVA in practice at Hindustan Lever Ltd.

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 : 1994-2003 (Unaudited)

(Rs. crores)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Cost of Capital Employed (COCE)										
1 Average Debt	97	110	156	160	165	162	93	50	45	881
2 Average Equity	462	588	815	1127	1487	1908	2296	2766	3351	2899
3 Average Capital Employed : (1) + (2)	559	698	971	1287	1652	2070	2389	2816	3396	3780
4 Cost of Debt, post-tax %	7.36	7.56	7.88	8.82	9.10	8.61	8.46	7.72	6.45	4.88
5 Cost of Equity %	19.70	19.70	19.70	19.70	19.70	19.70	19.70	16.70	14.40	12.95
6 Weighted Average Cost of Capital % (WACC)	17.57	17.79	17.80	18.34	18.64	18.83	19.27	16.54	14.30	11.07
7 COCE : (3) x (6)	98	124	173	236	308	390	460	466	486	418
Economic Value Added (EVA)										
8 Profit after tax, before exceptional items	190	239	413	580	837	1070	1310	1541	1716	1804
9 Add : Interest, after taxes	15	11	32	21	19	14	8	5	6	43
10 Net Operating Profits After Taxes (NOPAT)	205	250	445	601	856	1084	1318	1546	1722	1847
11 COCE, as per (7) above	(98)	(124)	(173)	(236)	(308)	(390)	(460)	(466)	(486)	(418)
12 EVA : (10) - (11)	107	126	272	365	548	694	858	1080	1236	1429

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 under the completed contract method and 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 and other Intangibles accounted for by Quest International India Limited, a Joint Venture, is amortised in accordance with its accounting policy over a period of twenty 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 Rosell 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 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, 2003

Figures in brackets represent deductions

	Notes	2003 Rs. lakhs	2002 Rs. lakhs
INCOME			
Sales	1	10836,94.78	10628,60.91
Other income	2	431,82.47	357,40.15
Total		11268,77.25	10986,01.06
EXPENDITURE			
Operating expenses	3-5	(8840,83.32)	(8645,34.91)
Depreciation (net of transfer from revaluation reserve Rs. 94.95 lakhs - 2002 Rs. 87.10 lakhs)		(199,98.69)	(192,64.69)
Interest	6	(69,11.76)	(12,86.10)
Total		(9109,93.77)	(8850,85.70)
PROFIT BEFORE TAXATION, EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES' PROFITS			
		2158,83.48	2135,15.36
Taxation for the year - current tax	9	(443,96.12)	(472,62.39)
- deferred tax		(62,51.93)	(25,59.42)
- adjustments of previous years (net)	22	47,99.50	14,55.17
PROFIT AFTER TAXATION, BEFORE EXCEPTIONAL ITEMS AND SHARE OF ASSOCIATES' PROFITS			
Exceptional items (net of tax)	13	1700,34.93 (24,49.93)	1651,48.72 45,26.37
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE SHARE OF ASSOCIATES' PROFITS			
		1675,85.00	1696,75.09
Share of Associates' net profit		2,47.02	—
PROFIT BEFORE MINORITY INTERESTS			
		1678,32.02	1696,75.09
Minority Interests		9,02.08	4,70.60
NET PROFIT			
Balance brought forward		1687,34.10	1701,45.69
Profit and Loss of Joint Ventures and Associates on initial adoption (See schedule 20 (b))		1048,03.99	681,83.33
Release from investment allowance reserve		92,90.09	—
Available for distribution		—	1.20
		2828,28.18	2383,30.22
Dividends :			
Dividends for 2002			
Final Rs. 2.659 per share declared on 13th June, 2003	19	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 : (2002 - Subject to deduction of income tax)		—	—
Interim		(550,31.09)	(550,31.09)
Special Dividend - Rs. 1.765 per share	20	(388,51.95)	—
Final - proposed		(660,37.31)	(660,37.31)
Tax on distributed profits (2002 : credit pertaining to previous year)		(376,83.34)	56,13.17
Transfer to General Reserve		(181,78.00)	(180,71.00)
Balance carried forward		670,46.49	1048,03.99
Earnings Per Share (Rs.) - Basic & Diluted (Face value of Re.1 each)	17	7.67	7.73

For notes, segment information, related party disclosures and accounting policies
See pages : F35, F39, F40, F49 to F51, F53 and F54

As per our report attached to the balance sheet
For A.F. FERGUSON & CO. For LOVELOCK & LEWES
Chartered Accountants Chartered Accountants

S.R. Tata Thomas Mathew
(Partner) (Partner)

Mumbai : 17th February, 2004

Signatures to pages : F35, F36, F39, F40,
F49 to F51, F53 and F54

M.S. Banga Chairman
M.K. Sharma Vice Chairman
D. Sundaram Finance Director
P. Kabra Group Controller
O.P. Agarwal Company Secretary

Mumbai : 17th February, 2004

Balance Sheet as at 31st December, 2003

Figures in brackets represent deductions

	Schedule	2003 Rs. lakhs	2002 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	220,12.44	220,12.44
Reserves and surplus	2	1955,89.31	3470,91.82
		2176,01.75	3691,04.26
Minority Interests		13,22.16	22,87.98
Loan funds			
Secured loans	3	1610,80.65	46,79.08
Unsecured loans	4	104,37.44	39,43.55
		1715,18.09	86,22.63
		3904,42.00	3800,14.87
APPLICATION OF FUNDS			
Fixed assets			
Gross block		2675,89.23	2445,37.53
Depreciation		(1117,94.77)	(960,34.61)
Net block	5	1557,94.46	1485,02.92
Capital work-in-progress		75,60.38	108,84.20
		1633,54.84	1593,87.12
Investments	6	2478,39.71	2244,85.78
Deferred Tax			
Deferred Tax Assets	7	381,95.64	393,61.23
Deferred Tax Liabilities	8	(115,56.93)	(118,95.19)
		266,38.71	274,66.04
Current assets, loans and advances			
Inventories	9	1489,83.04	1364,07.68
Sundry debtors	10	527,04.09	435,92.16
Cash and bank balances	11	892,39.67	977,28.21
Other current assets	12	72,37.09	60,70.58
Loans and advances	13	629,15.41	690,69.37
		3610,79.30	3528,68.00
Current liabilities and provisions			
Liabilities	14	(2721,46.55)	(2604,41.25)
Provisions	15	(1363,24.01)	(1237,50.82)
		(4084,70.56)	(3841,92.07)
Net current assets		(473,91.26)	(313,24.07)
		3904,42.00	3800,14.87

For schedules, contingent liabilities, segment information,
related party disclosures and accounting policies
See pages : F35, F41 to F51, F53 and F54

Signatures to pages : F35, F37, F41 to F51,
F53 and F54

As per our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

S.R. Tata
(Partner)

Thomas Mathew
(Partner)

M.S. Banga
M.K. Sharma
D. Sundaram
P. Kabra
O.P. Agarwal
Chairman
Vice Chairman
Finance Director
Group Controller
Company Secretary

Mumbai : 17th February, 2004

Mumbai : 17th February, 2004

Cash Flow Statement for the year ended 31st December, 2003

		2003 Rs. lakhs	2002 Rs. lakhs
A. Cash Flow from Operating Activities :			
Profit before taxation and exceptional items		2158,83.48	2135,15.36
Adjustments for :			
Depreciation	199,98.69		192,64.69
Foreign Exchange	7.41		(9.22)
Loss / (Gain) on sale of fixed assets held for disposal	2,63.43		(0.69)
Surplus on disposal of investments (net)	(60,10.11)		(25,68.37)
Surplus on disposal of Joint Ventures	(5,25.54)		—
(Reversal of) / Provision for diminution in value of investments and excess of cost over fair value of current investments (net)	90.28		(2,09.91)
Deficit / (Surplus) on fixed assets sold, scrapped, etc. (net)	(11,30.88)		3,40.97
Provision for losses on disposal of fixed assets	1,21.64		—
Interest income	(136,17.26)		(195,57.62)
Dividend income	(39,76.93)		(33,25.33)
Interest expenditure	69,11.76		12,86.10
		21,32.49	(47,79.38)
Operating Profit before Working Capital Changes		2180,15.97	2087,35.98
Adjustments for :			
Trade and Other Receivables	13,55.94		63,09.97
Inventories	(149,97.31)		(80,16.93)
Trade Payables and Other Liabilities	39,50.28		10,39.22
		(96,91.09)	(6,67.74)
Cash generated from operations		2083,24.88	2080,68.24
Income Taxes paid (net of refunds)		(423,07.10)	(451,34.34)
Cash flow before exceptional items		1660,17.78	1629,33.90
Purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees		(57,18.20)	—
Compensation under Voluntary Separation Schemes		(24,89.18)	—
Payment made in respect of discontinuance of Thermometer operations and ice cream restructuring included in exceptional items		(3,94.83)	(9,69.33)
Net Cash from Operating Activities	A	1574,15.57	1619,64.57
B. Cash Flow from Investing Activities :			
Purchase of fixed assets	(240,29.11)		(219,90.24)
Sale of fixed assets	44,55.97		51,85.72
Purchase of investments	(11100,64.33)		(5383,82.69)
Consideration paid on acquisition of shares in existing subsidiary	(62.59)		(1,25.59)
Sale of investments	10929,10.81		4704,35.68
Sale of Interest in Joint Ventures	6,73.58		—
Consideration received on sale of Businesses (Note 2 to 5)	85,16.62		164,98.03
Interest received	127,23.03		190,59.63
Dividend received	39,76.93		33,25.33
Dividend received - from Associate	9,47.76		—
Net Cash used in Investing Activities	B	(99,51.33)	(459,94.13)
C. Cash Flow from Financing Activities :			
Dividends paid (including bonus debentures - refer note 20 to profit & loss account)	(2840,99.34)		(1096,36.21)
Tax on distributed profits	(367,28.55)		(61.20)
Interest paid	(3,11.32)		(12,39.40)
Bank overdrafts (net)	24,83.19		(23,57.48)
Proceeds from borrowings	564,09.64		18,81.98
Proceeds from Debentures	1320,74.63		—
Repayments of borrowings	(280,72.00)		(11,56.41)
Net Cash used in Financing Activities	C	(1582,43.75)	(1125,68.72)
Net Increase / (Decrease) in Cash and Cash equivalents	(A+B+C)	(107,79.51)	34,01.72
Cash and Cash equivalents as at 1st January (Opening Balance)		977,22.84	943,21.12
Cash and Cash equivalents on initial adoption of Joint Ventures - refer 20 (b) of schedules to balance sheet		22,98.38	—
Cash and Cash equivalents as at 31st December (Closing Balance)		892,41.71	977,22.84

For notes
See page : F52

Signatures to pages : F38 and F52

As per our report attached to the balance sheet

For A.F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

S.R. Tata
(Partner)

Thomas Mathew
(Partner)

M.S. Banga
M.K. Sharma
D. Sundaram
P. Kabra
O.P. Agarwal

Chairman
Vice Chairman
Finance Director
Group Controller
Company Secretary

Mumbai : 17th February, 2004

Mumbai : 17th February, 2004

Notes to Profit and Loss Account

	2003 Rs. lakhs	2002 Rs. lakhs
INCOME		
1. Sales	11779,56.62	11638,20.98
Less : Excise duty	(972,76.43)	(1009,60.07)
	10806,80.19	10628,60.91
Share of Joint Ventures - schedule 20 (b)	30,14.59	—
	10836,94.78	10628,60.91
Sales include duty drawback and licence premium on exports	24,03.58	27,07.27
2. Other income	87,99.19	79,64.37
Income from services rendered	21,32.94	4,41.72
Income from property development activity	69,71.11	84,41.76
Interest received-bank and other accounts (gross)	64,21.44	111,15.86
Interest received-non trade (gross) (Note 7)	63.91	10,72.34
Dividend income - trade - long term (gross)	11.10	6,95.03
Dividend income - non trade - long term (gross)	38,93.82	15,57.96
Dividend income - non trade - current (gross)	5,25.54	—
Surplus on disposal of Joint Ventures	60,10.11	25,68.37
Surplus on disposal of investments (net) (Note 8)	11,39.07	—
Surplus on fixed assets sold etc. (net)	69,28.82	18,82.74
Miscellaneous income	428,97.05	357,40.15
Share of Joint Ventures - schedule 20 (b)	2,85.42	—
	431,82.47	357,40.15
OPERATING EXPENSES		
3. Materials consumed and Purchase of goods	3500,21.07	3502,75.63
Raw materials consumed	807,44.73	730,86.06
Packing materials consumed	1445,65.65	1339,73.79
Purchase of goods		
4. General expenditure	550,86.89	591,21.76
Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	54,26.15	45,19.50
Contribution to provident and other funds	45,17.91	40,90.75
Workmen and staff welfare expenses	157,96.39	178,72.72
Processing charges	54,43.26	40,11.25
Consumption of stores and spare parts	14,93.39	16,92.52
Repairs and maintenance	52,77.33	45,38.02
- Buildings	9,84.92	9,68.77
- Plant	184,05.04	185,41.56
- Others	72,67.54	70,44.52
Power, light, fuel and water	106,93.75	90,94.89
Rent	8,05.57	7,80.80
Rates and taxes	788,96.61	895,15.71
Insurance	486,02.30	436,58.58
Advertising and sales promotion	13,71.44	9,09.68
Carriage and freight	24,30.30	(8,53.90)
Agents' commission and brokerage	114,97.08	107,80.50
Provision / (write back) for doubtful debts and advances (net)	—	3,40.97
Travelling and motor car expenses	398,06.01	324,17.42
Deficit on fixed assets sold, scrapped, etc. (net)	(6,33.62)	(6,96.09)
Miscellaneous expenses (Note 12)		
Expenses shared by the erstwhile subsidiary company for use of common facilities		
5. Stocks	50,70.90	50,05.84
Opening stocks :	5,84.76	10,87.20
- Work-in-progress	599,06.40	610,06.20
- Processed chemicals		
- Finished goods		
Adjustment to stocks :	(18,21.16)	—
- As at 29th August, 2003, of Edible Oils and Fats business [Note 14 (i)]	—	(17,04.05)
- As at 30th March, 2002, of Seeds business	—	(1,19.79)
- As at 3rd May, 2002, of Diversey Lever business	—	3,89.91
- As at 1st April, 2002, of Disinfectant Cleaner business	(62,12.57)	(50,70.90)
Closing stocks :	(1,71.50)	(5,84.76)
- Work-in-progress	(693,32.69)	(599,06.40)
- Processed chemicals		
- Finished goods		
Excise Duty on Increase / (Decrease) of Finished goods	18,20.98	(12,53.75)
	8783,44.83	8645,34.91
Share of Joint Ventures - schedule 20 (b)	57,38.49	—
	8840,83.32	8645,34.91
6. Interest paid on bank and other accounts Rs. 9,16.15 lakhs (2002 - Rs. 12,83.04 lakhs) and on debentures and fixed loans Rs. 59,92.21 lakhs (2002 - Rs. 3.06 lakhs).		
7. Interest received - non trade (gross) comprises of Rs. 26,32.92 lakhs (2002 - Rs. 18,88.95 lakhs) and Rs. 37,88.52 lakhs (2002 - Rs. 92,26.91 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. 52,66.85 lakhs (2002 - Rs. 25,68.37 lakhs)		
- a profit on disposal of long term investments (net) Rs. 7,43.26 lakhs (2002 - Rs. Nil 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, 2003 and the provision based on the figures for the remaining nine months up to 31st December, 2003, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2003 to 31st March, 2004. 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) credited to the Profit and Loss Account is Rs. 5,57.88 lakhs (2002 - Rs. 5,15.64 lakhs).		
11. Operating expenses include		
Research and Development expenses	32,20.75	25,27.50

Notes to Profit and Loss Account

		2003 Rs. lakhs	2002 Rs. lakhs
12.	Miscellaneous expenses		
i)	includes provision for estimated losses on disposal of fixed assets rendered surplus Rs. 1,21.64 lakhs (2002 - credit of Rs. 17,18.00 lakhs).		
ii)	includes provision on diminution in value of long term investments Rs. 0.90 lakhs (2002 - Rs.1.15 lakhs (net)).		
iii)	includes charge in respect of excess of cost over fair value of current investments (net) Rs. 89.38 lakhs [2002 - credit of Rs. 211.06 lakhs (net)]		
13.	Exceptional items		
i)	Reduction in liability consequent to purchase of annuities in discharge of amounts payable to certain erstwhile non-management employees.	48,20.00	—
ii)	Profit arising out of disposal of Edible Oil and Fats business (Refer Note 14 (i) below)	56,20.30	—
iii)	Profit arising from the sale of the Seeds business.	—	74,72.18
iv)	Profit arising from the sale of the Diversey Lever Business.	—	46,87.19
	Total exceptional income	104,40.30	121,59.37
v)	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)	(120,68.00)
vi)	Provision for loss arising out of disposal of Mushroom undertaking (Refer Note 14 (ii) below)	(10,61.19)	—
vii)	Restructuring costs across businesses comprising :		
a)	Provision for estimated loss on fixed assets rendered surplus.	(45,49.68)	—
b)	Loss on fixed assets held for disposal	(8,56.50)	—
c)	Compensation under Voluntary Separation Schemes	(37,26.16)	—
d)	Other costs	(8,99.00)	—
	Total exceptional expenditure	(173,42.53)	(120,68.00)
	Net	(69,02.23)	91.37
	Taxation on the above		
	- Charge on current tax	(14,06.89)	—
	- Credit on deferred tax	58,59.19	44,35.00
	Total tax credit (net)	44,52.30	44,35.00
	Exceptional items (net of tax)	(24,49.93)	45,26.37
14.	i) Edible Oil and Fats business (ODF) was sold to Bunge Agribusiness India Pvt. Ltd. effective 29th August, 2003.		
	ii) Hindustan Lever Limited has entered into a Memorandum of Understanding with a third party for transfer of Mushroom business undertaking through sale and transfer of equity shares and debentures held by Hindustan Lever Limited in KICM (Madras) Limited, a wholly owned subsidiary.		
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	14,31.92	8,27.02
Add :	Construction cost	1,21.53	5,83.26
	Power, light, fuel and water	19.74	0.82
	Rates and taxes - others	3.21	41.24
	Miscellaneous expenses	15.92	21.01
		1,60.40	6,46.33
		15,92.32	14,73.35
Less :	Amount of Property Capitalised	5,42.55	—
	Property Development Activity -Work-in-progress as at 31st December	88.07	14,31.92
	Cost of property sold, included in miscellaneous expenses	9,61.70	41.43
16.	Goodwill, other than that arising on consolidation, is being amortised over its useful life, not exceeding a period of ten years in accordance with the Accounting Standard 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India. Hitherto, such goodwill was being charged off to the profit and loss account on acquisition. Consequently the amortisation charged to the profit and loss account is lower by Rs. 5,00.16 lakhs with corresponding increase in the profit for the year.		
17.	Earnings Per Share has been computed as under : Net Profit (Rs. lakhs)	1687,34.10	1701,45.69
	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)	7.67	7.73
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.	Consequent to the amendment of the Income Tax Act, 1961 by the Finance Act, 2003 in May 2003, making the dividend declared by a company exempt in the hands of members but liable to tax in the hands of the Company, on distributed profits, the members of Hindustan Lever Limited at the Annual General Meeting held on 13th June, 2003 resolved to declare a dividend of Rs. 2.659 per share (against Rs. 3 per share proposed) and pay tax on distributed profits as applicable. The aggregate cash outflow of Hindustan Lever Limited remains unchanged.		
20.	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 Board of Directors have, during the year, under the approved restructuring of capital :		
i)	Distributed from General Reserve and issued 9% Secured Redeemable Debentures of Rs. 6 each to the members in the ratio of one Debenture for every equity share of Re. 1/- each aggregating Rs. 1320,74.63 lakhs.		
ii)	Declared a special dividend of Rs. 1.765 per share for every equity share of Re. 1/- each aggregating Rs. 388,51.95 lakhs.		
iii)	Discharged the company's liability of tax on distributed profits aggregating Rs. 219,02.38 lakhs.		
	Further Hindustan Lever Limited has set apart funds equivalent to the redemption value of the debentures and invested them as per the terms of the Scheme of Arrangement.		
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 Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India. As this is the first year of adoption of AS 23 and AS 27, figures for the previous year have not been presented in respect of Associates and Joint Ventures as incorporated in the Consolidated Financial Statements. For information on Joint Ventures refer Schedule 20 to the Balance Sheet.		
22.	Taxation adjustments of previous years include interest, etc.		
23.	During the year, Hindustan Lever Limited has utilised provision made in an earlier year for restructuring of the ice cream business as follows :		
		2003 Rs. lakhs	2002 Rs. lakhs
	Fixed assets write off	1,07.89	26,38.09
	Raw / Packing materials	38.52	1,02.53
	Other items	3,94.83	7,10.30
		5,41.24	34,50.92
24.	In view of sale of businesses referred to in note 14 above, the previous year figures are to that extent not comparable. The previous year's figures have been regrouped / restated wherever necessary to conform to this year's classification.		

Schedules to Balance Sheet

		2003 Rs. lakhs	2002 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, 2003 are 95,07,473 (2002 - 55,45,951). Of these 22,79,800 (2002 - 23,72,800) options will vest in 2004 , 30,40,188 (2002 - 31,73,151) in 2005 and 41,87,485 in 2006 (2002 - Nil)

Also see Schedule 17

2. RESERVES AND SURPLUS

	As at 31st December, 2002	Adjustments (b)	Additions	Deductions	As at 31st December, 2003
CAPITAL RESERVES					
Capital Reserve	3,53.46	—	—	—	3,53.46
Capital Subsidy	3,17.16	—	9.00	—	3,26.16
Capital Redemption Reserve	1,15.00	—	—	—	1,15.00
Share Premium Account	263,26.13	—	—	—	263,26.13
Revaluation Reserve	28,78.93	—	—	(e) (63.25)	28,15.68
Other Reserves (d)	2,51.05	—	—	—	2,51.05
Employee Stock Options (f)	—	—	—	2,05.87	2,05.87
Total Capital Reserves	302,41.73	—	9.00	1,42.62	303,93.35
REVENUE RESERVES					
Export Profit Reserve	12,26.40	—	—	—	12,26.40
Development Allowance Reserve	26.72	—	—	—	26.72
General Reserve	2107,92.98	—	(a) 181,78.00	(g) (1320,74.63)	968,96.35
Total Revenue Reserves	2120,46.10	—	181,78.00	(1320,74.63)	981,49.47
PROFIT AND LOSS ACCOUNT BALANCE	1048,03.99	92,90.09	(a) 670,46.49	(c) (1140,94.08)	670,46.49
TOTAL RESERVES - 31st December, 2003	3470,91.82	92,90.09	852,33.49	(2460,26.09)	(h) 1955,89.31
TOTAL RESERVES - 31st December, 2002	2924,53.92	—	1228,74.99	(682,37.09)	3470,91.82

(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. 40.67 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. 2,05.87 lakhs (2002 - Rs Nil) being amortisation of deferred employee compensation after adjusting for reversals on account of options lapsed.

Employee Stock Options

	As at 31st December, 2002	Additions	Deductions	As at 31st December, 2003
Employee Stock Options Outstanding	—	485.83	(19.79)	466.04
Less : Deferred Employee Compensation	—	(485.83)	225.66	(260.17)
Employee Stock Options	—	—	205.87	205.87

(g) Refer Note 20 in Profit and Loss account.

(h) Including share of Joint Ventures Rs. 83.57 lakhs.

Schedules to Balance Sheet

3. SECURED LOANS

	2003 Rs. lakhs	2002 Rs. lakhs
9% Secured Redeemable Non Convertible Debentures of the face value of Rs.6 each	1320,74.63	—
- To be secured by charge on identified immovable and moveable properties of Hindustan Lever Limited. Redeemable in full at the end of 18 months from 2nd July, 2003, being the date of allotment.		
A	1320,74.63	—
Loans & Advances from Banks :		
- Bank overdrafts	18,72.23	18,87.53
- Secured by hypothecation of stocks, book debts, etc.		
- Export Packing Credit	265,18.51	—
- Secured by a pari passu charge on certain current assets.		
- Other Term Loans	—	16,00.00
- Secured by hypothecation of certain stocks, book debts, other current assets, etc.		
B	283,90.74	34,87.53
Other loans and advances		
- Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets	6,15.28	11,91.55
C	6,15.28	11,91.55
Total (A+B+C)	1610,80.65	46,79.08
Share of Joint Ventures - schedule 20 (b)	—	—
	1610,80.65	46,79.08

4. UNSECURED LOANS

Short- term loans & advances :		
From Banks		
- Export Packing Credit	74,17.41	—
- Overdrawn book balance on current account	25,52.38	53.89
Other loans and advances		
- Other than from Banks	4,67.65	38,89.66
(repayable before 31st December, 2004 - Rs. 10.69 lakhs; 2003 - Rs. 45.40 lakhs)		
	104,37.44	39,43.55
Share of Joint Ventures - schedule 20 (b)	—	—
	104,37.44	39,43.55

5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	Cost/ Valuation as at 31st December, 2002	Cost taken over consequent to acquisition/ initial adoption	Additions	Deductions/ Transfers	Cost/ Valuation as at 31st December, 2003	As at 31st December, 2002	Depreciation taken over consequent to acquisition/ arising on initial adoption	Additions	Deductions/ Transfers	As at 31st December, 2003	As at 31st December, 2003	As at 31st December, 2002	
Goodwill on consolidation	216,67.16 (d)	17,51.16 (e)	39.52	—	234,57.84	101,70.47	7,66.13 (e)	64,98.33	—	174,34.93	60,22.91	114,96.69	
Land - Freehold	48,13.72	—	11,79.87	(1,68.68)	58,24.91	—	—	—	—	—	58,24.91	48,13.72	
- Leasehold	72,71.43	—	1,27.12	30.23	74,28.78	2,20.91	—	29.43	—	2,50.34	71,78.44	70,50.52	
Buildings	546,48.91	—	62,27.23	(12,70.67)	596,05.47	105,16.85	—	15,32.61	(3,35.01)	117,14.45	478,91.02	441,32.06	
Railway sidings	1.35	—	—	(0.76)	0.59	1.35	—	—	(0.76)	0.59	—	—	
Plant & machinery	1111,48.88	—	164,24.09	(67,08.01)	1208,64.96	439,55.27	—	83,38.19	(35,84.77)	487,08.69	721,56.27	671,93.61	
Furniture, fittings & office equipment	229,14.16	—	18,77.02	(34,97.69)	212,93.49	129,86.46	—	23,59.77	(18,43.33)	135,02.90	77,90.59	99,27.70	
Trademarks	161,79.87	—	3,69.24	—	165,49.11	159,21.85	—	3,34.94	—	162,56.79	2,92.32	2,58.02	
Goodwill	—	—	6,34.15	—	6,34.15	—	—	1,33.99	—	1,33.99	5,00.16	—	
Motor vehicles	58,92.05	—	2,68.93	(7,02.62)	54,58.36	22,61.45	—	5,28.73	(2,79.82)	25,10.36	29,48.00	36,30.60	
Total	2445,37.53	17,51.16	271,47.17	(123,18.20)	2611,17.66	960,34.61	7,66.13	197,55.99	(60,43.69)	1105,13.04	1506,04.62	1485,02.92	
Share of Joint Ventures Schedule - 20 (b)	64,66.03	—	21.66	(16.12)	64,71.57	9,51.62	—	3,37.65	(7.54)	12,81.73	51,89.84	—	
Total - 2003	2510,03.56	17,51.16	271,68.83	(123,34.32)	2675,89.23	969,86.23	766.13	200,93.64	(60,51.23)	1117,94.77	1557,94.46		
Total - 2002	2306,00.28	9,16.20 (c)	275,45.12	(145,24.07)	2445,37.53	839,68.86	90.03 (c)	193,51.79	(73,76.07)	960,34.61	1485,02.92		

NOTES :

- Capital expenditure commitments - Rs. 21,31.54 lakhs (2002 - Rs. 26,05.31 lakhs).
- The title deeds of immovable properties aggregating Rs. 37,37.47 lakhs (2002 - Rs.30,95.76 lakhs), acquired on transfer of businesses / undertakings are in the process of being transferred in the name of the respective Companies.
- Taken over, pursuant to acquisition of shares in TOC Disinfectants Limited and Sum Electronics Private Limited.
- Including unamortised balance of Goodwill on consolidation as on 31st December, 2000 of Rs. 89,69.52 lakhs.
- Represents Goodwill on consolidation as on 31st December, 2002 on initial adoption of AS 27.

Schedules to Balance Sheet

			2003 Rs. lakhs	2002 Rs. lakhs
6. INVESTMENTS (Long term, Unquoted, unless otherwise stated)				
A. INVESTMENTS IN GOVERNMENT SECURITIES				
	7 Year National Savings Certificates - II Issue		1.13	1.16
	12 Year Post Office National Defence Certificates		0.12	0.12
	Government of India stock of the face value of Rs. 415,30.25 lakhs (2002-Rs.729,35.00 lakhs) (current investments) (quoted)		513,15.18	894,27.90
	Government stocks / Bonds (quoted)		3,05.23	3.24
	Treasury Bills of the face value of Rs. 132,79.50 lakhs (2002-Rs.376,95.00 lakhs) (current investments)		127,73.11	371,42.54
	Indira Vikas Patra		—	1.00
	Share of Joint Ventures - Schedule - 20 (b)		0.12	—
	TOTAL – A		643,94.89	1265,75.96
B. TRADE INVESTMENTS AT COST - SHARES				
In Joint Ventures				
Kimberly Clark Lever Private Limited	3,62,50,000	Equity shares of Rs.10 each fully paid	—	36,25.00
Quest International India Limited	14,11,200	Equity shares of Rs. 100 each fully paid	—	68,02.41
Lever Gist Brocades Private Limited	—	Equity shares of Rs.10 each fully paid	—	15,00.00
S.C. Johnson Products Private Limited	—	Equity shares of Rs. 5 each fully paid	—	27,50.00
In Associates				
Hind Lever Chemicals Limited	68,92,800	Equity shares of Rs.10 each fully paid (quoted) Cost of acquisition	52,41.85	
		Add : Group Share of Profits / (losses) upto 31.12.03 (net of dividends received)	105,19.55	157,61.40
Vashisti Detergents Limited (Associate effective 1st January, 2003)	1,69,04,140	Equity shares of Rs.10 each fully paid (quoted) Cost of acquisition (including goodwill of Rs. 7,19.66 lakhs)	29,40.00	52,41.85
		Add : Group Share of Profits / (losses) upto 31.12.03	84.51	30,24.51
In Other Companies				
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs.100 each fully paid	0.05	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	5.87	5.87
Vashisti Detergents Limited	—	Equity shares of Rs.10 each fully paid (quoted)	—	29,40.00
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	—
Coffee Futures India Exchange Limited	1	Equity share of Rs.10,000 each fully paid	0.10	0.10
Goldfield Fragrances Private Limited (formerly Goldfield Fragrances Limited)	7,164	(2002 - 24,000) Equity shares of Rs.10 each fully paid (Shares of Goldfield Fragrances Private Limited issued in the ratio of 3.35:1 consequent to the merger of Goldfield Fragrances Limited with CPL Aromas India Private Limited)	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 - 20(b)			12.00	—
	TOTAL – B		205,05.11	245,59.44
C. NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES & BONDS				
ICICI Bank Limited	1,48,231	Equity shares of Rs.10 each fully paid (quoted)	1,66.04	1,66.04
	—	9.84% Non-transferable deposit receipt of Face value of Rs. 5,000 lakhs	—	50,00.00
Paras Extra Growth Seeds Limited	73,12,400	Equity shares of Rs. 10 each fully paid	8,41.53	8,41.53
Indian Railway Finance Corporation	30,000	10.50% Eleventh Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Current Investments)	3,00.00	3,00.00
	30,000	10.50% Twelfth A Series Tax Free Non-Cumulative Bonds of Rs.1,000 each (Current Investments)	3,00.00	3,00.00
	3,00,000	10.50% Twelfth A Series Tax Free Secured Redeemable Non Convertible Bonds of Rs. 1,000 each (Current Investments)	30,00.00	30,00.00
SBI Home Finance Limited	1,44,200	Equity shares of Rs.10 each fully paid (quoted)	14.42	14.42
Ranbaxy Laboratories Limited	6,40	Equity shares of Rs.10 each fully paid (quoted)	0.60	0.60
Sterling Holiday Resorts	—	Sterling Holiday Resorts Time Shares	0.67	0.67
Maharashtra Krishna Valley Development Corporation	—	(2002-25) 17.50% Secured Bonds of the face value of Rs. 1,00,000 each	—	25.00
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs.10 each fully paid.	24.00	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs.10 each fully paid.	0.83	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures. (Face value Rs. 0.14 lakh)	0.17	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs 0.27 lakh)	0.27	0.27
	44	1/2% Debentures of Rs 100 each (Face value Rs 0.05 lakh : Cost Rs. 100).	—	—
Shillong Club Limited	56	5% Debentures of Rs.100 each (Cost Rs. Nil)	—	—
	1	5% Registered Debenture of Rs.10,200 fully paid	—	—

Schedules to Balance Sheet

			2003	2002
			Rs. lakhs	Rs. lakhs
6. INVESTMENTS (Contd.)				
(Long term, Unquoted, unless otherwise stated)				
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	1,06,705	8.50% Capital Gains Bonds of Rs.10,000 each	106,70.50	106,70.50
	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	—
	9,250	5.50% Capital Gains Bonds of Rs.10,000 each	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	—
OTHERS				
Unit Trust of India	370	Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs. 100 each	0.37	0.37
	4,637	(2002-40,590) Units of Rs.10 each under the Unit Scheme - 64 (Current Investments)	4.64	2.44
	5,000	(Converted into 6.75% Tax Free US 64 Bonds, units of Rs.100 each)	0.50	0.50
	48,73,200	Master Gain 92 units of Rs.10 each	49,99.90	—
		Units of Rs.100 each under the 6.75% Tax Free US 64 Bonds (Current Investments)		
Prudential ICICI Mutual Fund	—	(2002-87,84,096) Units of Prudential ICICI Gilt Fund - Treasury Plan - Growth	—	9,50.00
	—	(2002-1,20,00,000) Units of Prudential ICICI Fixed Maturity Plan - Growth Yearly - Series VI (Current Investments)	—	12,00.00
	—	(2002-2,35,63,385) Units of Prudential ICICI Income Plan - Growth (Current Investments)	—	39,30.16
	—	(2002-2,55,96,241) Units of Prudential ICICI Short Term Plan - Dividend Reinvestment Option (Current Investments)	—	26,65.94
	4,63,20,028	Units of Prudential ICICI Institutional Short Term Plan - Dividend Reinvestment Fortnightly (Current Investments)	50,18.39	—
	66,73,849	Units of Prudential ICICI Institutional Liquid Plan - Growth (Current Investments)	10,16.60	—
	4,56,40,665	Units of Prudential ICICI Liquid Plan Institutional Plus - Growth Option (Current Investments)	70,00.00	—
	12,58,75,866	Units of Prudential ICICI Liquid Plan Institutional Plus - Weekly Dividend Option (Current Investments)	149,24.09	—
	—	(2002-1,85,47,054) Units of Prudential ICICI Gilt Fund - Treasury Plan-Growth (Current Investments)	—	25,05.36
	96,84,011	Units of Prudential ICICI Floating Rate Plan - Growth (Current Investments)	10,00.00	—
DSP Merrill Lynch Mutual Fund	—	(2002-95,01,549) Units of DSP Merrill Lynch Govt. Securities Fund - Plan B-Growth	—	10,00.00
	—	(2002-1,50,00,000) Units of DSP Merrill Lynch Short Term Fund - Growth (Current Investments)	—	15,00.00
	2,52,68,330	(2002- 4,576) Units of DSP Merrill Lynch Liquidity Fund - Weekly Dividend (Current Investments)	31,34.37	0.57
Standard Chartered Mutual Fund	10,33,04,308	Units of Grindlays Cash Fund-Institutional Plan B Growth (Current Investments)	120,00.00	—
	2,59,85,754	Units of Grindlays Cash Fund - Institutional Plan B Weekly Dividend (Current Investments)	26,76.58	—
	97,54,099	Units of Grindlays Floating Rate Institutional Plan B Growth (Current Investments)	10,00.00	—
	4,61,06,965	Units of Grindlays Super Saver Income Fund-Short Term Plan B Institutional Plan -Monthly Dividend Option (Current Investments)	47,27.50	—
	2,29,73,754	Units of Grindlays Super Saver Income Fund - Short Term Plan B Institutional Plan - Growth Option (Current Investments)	28,99.79	—
	—	(2002-2,08,04,380) Units of Grindlays Super Saver Income Fund - Investment Plan - Growth Option (Current Investments)	—	27,53.17
	—	(2002-4,05,15,284) Units of Grindlays Super Saver Income Fund - Short Term Plan - Dividend Option (Current Investments)	—	40,69.90
HDFC Mutual Fund (formerly Zurich India Mutual Fund)	-	(2002-1,33,96,617) Units of Zurich India High Interest Fund-Regular Growth (Current Investments)	—	25,86.77
	—	(2002-3,05,88,836) Units of Zurich India High Interest Fund-Short Term Plan-Dividend (Current Investments)	—	31,14.89
HDFC Mutual Fund	—	(2002-2,31,32,719) Units of HDFC Income Fund - Growth (Current Investments)	—	30,85.42
	41,95,754	Units of HDFC Liquid Fund-Premium Plus Plan - Dividend Reinvestment (Current Investments)	5,01.94	—
	5,71,33,345	Units of HDFC Liquid Fund-Premium Plus Plan - Growth (Current Investments)	71,00.00	—
	1,90,07,363	Units of HDFC Cash Management Fund - Savings Plan - Weekly - Dividend Reinvestment (Current Investments)	20,20.49	—

Schedules to Balance Sheet

			2003 Rs. lakhs	2002 Rs. lakhs
6. INVESTMENTS (Contd.)				
	(Long term, Unquoted, unless otherwise stated)			
	—	(2002 - 2,05,22,049) Units of HDFC Short Term Plan - Dividend (Current Investments)	—	20,59.55
Alliance Capital Mutual Fund	—	(2002-1,22,00,054) Units of Alliance Income Fund - Regular Growth (Current Investments)	—	24,43.78
Birla Sunlife Mutual Fund	4,53,63,796	Units of Birla Cash Plus Monthly - Dividend Reinvestment (Current Investments)	45,38.56	—
	6,86,64,645	Units of Birla Cash Plus Institutional Plan - Growth (Current Investments)	114,40.92	—
Deutsche Mutual Fund	5,07,85,291	Units of Deutsche Short Maturity Fund - Growth Plan (Current Investments)	54,00.00	—
	2,49,55,473	Units of Deutsche Insta Cash Plus Fund - Weekly Dividend Plan (Current Investments)	25,25.34	—
	98,75,711	Units of Deutsche Insta Cash Plus Fund-Growth Plan (Current Investments)	10,19.84	—
HSBC Mutual Fund	2,88,14,569	Units of HSBC Cash Fund - Growth Plan (Current Investments)	30,00.00	—
	1,90,04,903	Units of HSBC Cash Fund - Institutional - Growth Plan (Current Investments)	20,00.00	—
	1,45,57,803	Units of HSBC Cash Fund - Institutional - Weekly Dividend Plan (Current Investments)	15,20.24	—
Principal Mutual Fund	1,39,95,661	Units of Principal Cash Management Fund Liquid Option Institutional Plan - Dividend Reinvestment - Weekly (Current Investments)	14,00.00	—
	7,17,96,029	Units of Principal Cash Management Fund Liquid Option - Institutional Plan - Growth Plan (Current Investments)	73,12.10	—
Franklin Templeton Fund	1,30,80,425	Units of Templeton India Liquid Fund Growth (Current Investments)	20,05.72	—
	3,77,58,210	Units of Templeton Floating Rate Income Fund Short Term Plan Dividend Reinvestment (Current Investments)	37,78.24	—
	44,57,639	Units of Templeton Floating Rate Income Fund Short Term Plan - Growth (Current Investments)	5,00.00	—
	3,48,550	Units of Templeton India Treasury Management Account - Weekly Dividend Reinvestment (Current Investments)	43,37.31	—
	—	(2002-3,72,211) Units of Templeton India Short Term Income Plan - Growth (Current Investments)	—	40,00.00
	—	(2002-99,47,578) Units of Templeton India Income Builder Account - Institutional Plan-Growth (Current Investments)	—	10,17.38
Share of Joint Ventures- Schedule - 20(b)			13,23.00	—
		TOTAL - C	1633,09.86	776,19.63
		TOTAL - (A+B+C)	2482,09.86	2287,55.03
Provision for diminution in value of long term investments			(3,70.15)	(42,69.25)
		TOTAL	2478,39.71	2244,85.78
Aggregate book value of investments	Unquoted		1724,93.75	1266,65.73
	Listed but not quoted		1.00	26.00
	Quoted - Market Value Rs. 869,39.89 lakhs (2002- Rs. 1035,11.97 lakhs)		753,44.96	977,94.05
		TOTAL	2478,39.71	2244,85.78
			2003 Rs. lakhs	2002 Rs. lakhs
7. DEFERRED TAX ASSETS				
On Employee Separation and Retirement			210,52.24	211,73.04
On Other timing Differences			132,26.35	127,23.38
On fiscal Allowances on Investments			6,65.45	7,77.05
Other Items			32,51.60	46,87.76
			381,95.64	393,61.23
Share of Joint Ventures - schedule 20 (b)			—	—
			381,95.64	393,61.23
8. DEFERRED TAX LIABILITIES				
On fiscal allowances on fixed assets			(111,17.54)	(118,90.04)
On Other timing Differences			—	(5.15)
			(111,17.54)	(118,95.19)
Share of Joint Ventures - schedule 20 (b)			(4,39.39)	—
			(115,56.93)	(118,95.19)

Schedules to Balance Sheet

	2003 Rs. lakhs	2002 Rs. lakhs
9. INVENTORIES (at lower of cost and net realisable value)		
Stores and spare parts, etc.	43,76.29	39,14.01
Raw materials	589,65.24	583,34.18
Packing materials	89,19.51	71,65.51
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
Property Development Activity (Including Land Development rights) - Work-in-progress (Refer 15 of Notes to Profit and Loss Account)	88.07	14,31.92
	1480,65.87	1364,07.68
Share of Joint Ventures - schedule 20 (b)	9,17.17	—
	1489,83.04	1364,07.68
10. SUNDRY DEBTORS (unsecured)		
Considered good		
Over 6 months old	20,35.49	15,87.99
Others	497,70.79	420,04.17
	518,06.28	435,92.16
Considered doubtful		
Over 6 months old	81,84.50	44,61.26
Others	—	8,76.08
	81,84.50	53,37.34
	599,90.78	489,29.50
Less : Provision for doubtful debts	(81,84.50)	(53,37.34)
Total	518,06.28	435,92.16
Share of Joint Ventures - schedule 20 (b)	8,97.81	—
	527,04.09	435,92.16
11. CASH AND BANK BALANCES		
Cash on hand	2,07.34	1,90.96
With Scheduled banks		
- on current accounts	216,07.88	273,46.30
- on deposit accounts	613,55.50	692,06.73
Balance with other banks		
- on current accounts	8,57.92	7,34.22
- on deposit accounts	21,28.99	2,50.00
	861,57.63	977,28.21
Share of Joint Ventures - schedule 20 (b)	30,82.04	—
	892,39.67	977,28.21
12. OTHER CURRENT ASSETS		
Income accrued on investments	51,14.96	42,86.17
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	19,85.21	17,84.41
	71,00.17	60,70.58
Share of Joint Ventures - schedule 20 (b)	1,36.92	—
	72,37.09	60,70.58
13. LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received [including :-	476,78.91	590,80.09
(i) Rs.110,47.61 lakhs (2002 - Rs. 145,98.00 lakhs) not due before 31st December, 2004;		
(ii) Rs. 10,00.00 lakhs (2002 - Rs. 108,00.00 lakhs) on account of inter corporate deposits].		
Considered doubtful	47,49.62	51,66.48
	524,28.53	6,42,46.57
Less : Provision for doubtful advances	(47,49.62)	(51,66.48)
	476,78.91	590,80.09
Receivable from Paras Extra Growth Seeds Limited	16,80.00	16,80.00
Deposits with Customs, Port Trust, Excise, etc.	127,59.94	77,92.65
Current taxation (payments in excess of provisions)	3,88.91	5,16.63
	625,07.76	690,69.37
Share of Joint Ventures - schedule 20 (b)	407.65	—
	629,15.41	690,69.37

Schedules to Balance Sheet

	2003 Rs. lakhs	2002 Rs. lakhs
14. LIABILITIES		
Acceptances	605,37.84	330,44.82
Sundry creditors (See Schedule 19)		
Small Scale Industrial Undertakings	53,94.87	46,72.08
Others	1907,11.49	2156,19.18
	1961,06.36	2202,91.26
Advances and progress payments - Property		
Development Activity	9,05.13	11,76.83
Security advances	18,71.09	27,04.21
Dividends declared pending payment / encashment	33,00.70	29,11.03
Interest accrued but not due on loans	69,13.54	3,13.10
	2696,34.66	2604,41.25
Share of Joint Ventures - schedule 20 (b)	25,11.89	—
	2721,46.55	2604,41.25
15. PROVISIONS		
Current taxation (provisions in excess of payments) including tax on distributed profits	74,91.04	6,44.92
Provision for retirement/post retirement benefits and other employee benefits	539,33.24	536,39.26
Proposed dividend	660,37.31	660,37.31
Other provisions	86,03.30	34,29.33
	1360,64.89	1237,50.82
Share of Joint Ventures - schedule 20 (b)	2,59.12	—
	1363,24.01	1237,50.82
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, 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.		
	2003 Rs. lakhs	2002 Rs. lakhs
18. CONTINGENT LIABILITIES		
(i) Claims made against Companies not acknowledged as debts and other matters - gross Rs. 640,21.84 lakhs (2002 - Rs. 538,51.28 lakhs) net of tax	494,60.73	405,98.88
(ii) Bills discounted but not matured	56,37.55	98,20.77
(iii) Guarantees given to banks, etc. in respect of third parties	18,17.19	29,32.81
Share of Joint Ventures - schedule 20 (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. 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. As this is the first year of adoption of AS 23 and AS 27, figures for the previous year have not been presented in respect of Associates and Joint Ventures as incorporated in the Consolidated Financial Statements.		
(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, 2003
Lipton India Exports Limited	India	100
Indexport Limited	India	100
Bon Limited	India	100
Nepal Lever Limited	Nepal	80
Lever India Exports Limited	India	100
Merryweather Food Products Limited	India	100
International Fisheries Limited	India	99.98
KICM (Madras) Limited (Refer 14(ii) of Notes to Profit and Loss Account)	India	100
Modern Food Industries (India) Limited	India	100
Ponds Exports Limited	India	100
Daverashola Tea Company Limited	India	100
Thiashola Tea Company Limited	India	100
Indigo Lever Shared Services Limited (formerly known as		

Schedules to Balance Sheet

Name of the Company	Country of Incorporation	% voting power held as at 31st December, 2003
The Doolia Tea Company Limited	India	100
Rossell Industries Limited (Shares held by Lipton India Exports Limited - 2002 - 60.35% of voting power held)	India	60.87
TOC Disinfectants Limited	India	50*
Modern Food and Nutrition Industries Limited (Shares held by Modern Food Industries (India) Limited - incorporated during the year)	India	100
Levers Associated Trust Limited	India	100
Levindra Trust Limited	India	100
Hindlever Trust Limited	India	100
* 5,50,00,120 shares of 11,00,00,160 shares are 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, 2003
Kimberly - Clark Lever Private Limited	India	50%
Quest International India Limited	India	49%
In addition, the following Jointly controlled entities (incorporated in India) have been considered in the Consolidated Financial Statements for the period that they were Joint Ventures during the year :		
Lever Gist Brocades Private Limited		
S.C. Johnson Products Private Limited		

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

The Group's interests in these Joint Ventures were reported as Long Term Investments as at 31st December, 2002 (Schedule - 6) and stated at cost. On adoption of AS 27 during the year the Group's interests acquired for Rs.146,77.41 lakhs in these joint ventures, accounted for using proportionate consolidation are :

	As at 31st December, 2003 (Rs. lakhs)
I. ASSETS	
1. Fixed Assets	51,93.51
2. Investments	13,35.12
3. Current Assets, Loans and Advances	
a) Inventories	9,17.17
b) Sundry Debtors	8,97.81
c) Cash and Bank Balances	30,82.04
d) Other Current Assets	1,36.92
e) Loans and Advances	4,07.65
4. Deferred Tax - Net	(4,39.39)
II. LIABILITIES	
1. Shareholders Funds - Reserves and Surplus	(83.57)
2. Current Liabilities and Provisions	
a) Liabilities	(25,11.89)
b) Provisions	(2,59.12)
	For the year ended 31 st December, 2003 (Rs. lakhs)
III. INCOME	
1. Sales	30,14.59
2. Other Income	2,85.42
IV. EXPENSES	
1. Operating expenses	(57,38.49)
2. Depreciation	(3,37.65)
3. Interest	(3.40)
4. Profit before taxation	12,75.85
5. Provision for Taxation (including deferred taxation)	(1,86.81)
6. Profit after Taxation before minority interests	10,89.04
7. Minority Interests	—
8. Net Profit	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, 2003	(51,00.41)
Add : Group share of Profits for the year	10,89.04
Less : Reserves on disposal of Joint Ventures	40,94.94
Reserves as at 31st December, 2003	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, 2003
Hind Lever Chemicals Limited	India	50%
Vashisti Detergents Limited (effective 1st January, 2003)	India	32.91%

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

The Groups interests in these Associates were reported as Long Term Investments as at 31st December, 2002 (Schedule - 6) and stated at cost. On adoption of AS 23 during the year these investments have been accounted for using the equity method whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets.

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

Segment Information for the Year Ended 31st December, 2003

Information About Primary Business Segments

	2003 Rs. lakhs			2002 Rs. lakhs		
	External	Intersegment	Total	External	Intersegment	Total
REVENUE						
Soaps and Detergents	4376,28.45		4376,28.45	4381,97.39		4381,97.39
Personal Products	2577,70.44		2577,70.44	2245,88.56		2245,88.56
Beverages	1184,17.54		1184,17.54	1232,08.26		1232,08.26
Foods	801,68.61		801,68.61	1001,00.87		1001,00.87
Ice Creams	101,69.24		101,69.24	118,92.42		118,92.42
Exports	1437,43.06	18,70.82	1456,13.88	1410,57.01	12,48.83	1423,05.84
Other Operations	467,29.57	58,99.83	526,29.40	322,22.49	160,85.33	483,07.82
Total Segment	10946,26.91	77,70.65	11023,97.56	10712,67.00	173,34.16	10886,01.16
Eliminations			(77,70.65)			(173,34.16)
Total Revenue (see note 3 to Segment Information)			10946,26.91			10712,67.00
RESULT						
Soaps and Detergents			1085,24.02			1127,19.00
Personal Products			904,50.06			756,47.00
Beverages			224,83.65			243,29.27
Foods			(6,66.60)			(36,67.95)
Ice Creams			2,12.71			(14,10.03)
Exports			109,50.24			135,66.78
Other Operations			(33,62.39)			4,44.27
Total Segment			2285,91.69			2216,28.34
Eliminations			3,11.00			(6,55.00)
Total Consolidated			2289,02.69			2209,73.34
Un-allocated expenditure net of un-allocated income			(301,47.01)			(318,33.11)
Operating Profit			1987,55.68			1891,40.23
Interest expenses			(69,11.76)			(12,86.10)
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)			240,39.56			256,61.23
Taxation for the year (including adjustments of previous years)			(458,48.55)			(483,66.64)
Profit after taxation, before exceptional items and share of Associates Profits			1700,34.93			1651,48.72
Exceptional items - income and expenditure (Segment)						
Detergents		(48,05.64)			—	
Foods		26,13.08			—	
Beverages		(9,49.30)			—	
Ice Creams		(47.18)			—	
Other Operations		(12,20.00)			121,59.37	
			(44,09.04)			121,59.37
Exceptional items - income and expenditure (Unallocated/Corporate)			(24,93.19)			(120,68.00)
- Tax credit			44,52.30			44,35.00
Profit after exceptional items before share of Associates Profits			1675,85.00			1696,75.09
Share of Associates' net profit			2,47.02			—
Profit before minority Interests			1678,32.02			1696,75.09

Segment Information for the Year Ended 31st December, 2003

Information About Primary Business Segments

	Segment Assets Rs. lakhs		Segment Liabilities Rs. lakhs	
	2003	2002	2003	2002
Other Information				
Soaps and Detergents	1425,20.34	1344,00.39	(1255,06.48)	(1160,19.57)
Personal Products	719,77.26	516,63.16	(493,98.26)	(412,60.00)
Beverages	361,57.03	342,07.34	(393,79.07)	(383,11.91)
Foods	169,95.50	230,48.69	(116,69.58)	(269,89.90)
Ice Creams	71,35.61	88,89.68	(62,33.45)	(86,79.94)
Exports	598,99.45	527,52.85	(231,63.55)	(230,57.45)
Other Operations	376,89.20	312,64.55	(135,19.48)	(100,14.65)
Total	3723,74.39	3362,26.66	(2688,69.87)	(2643,33.42)
Unallocated Corporate Assets / Liabilities	4380,95.10	4398,75.47	(3226,75.71)	(1403,76.47)
Total Assets / Liabilities	8104,69.49	7761,02.13	(5915,45.58)	(4047,09.89)

	Capital expenditure		Depreciation / Amortisation		Non - Cash expenses other than depreciation / amortisation	
	Year 2003	Year 2002	Year 2003	Year 2002	Year 2003	Year 2002
Soaps and Detergents	79,91.02	87,49.78	48,88.10	46,39.95	44,64.55	77.40
Personal Products	48,43.38	48,61.73	13,88.67	16,19.64	5,22.51	79.03
Beverages	5,04.94	3,33.86	6,42.23	7,13.24	4,02.07	(2,56.31)
Foods	2,68.39	3,53.44	5,71.41	13,89.73	16,44.47	1,84.79
Ice Creams	1,62.12	2,29.66	5,55.46	5,35.29	24.90	46.29
Exports	43,65.72	30,01.10	13,74.04	10,34.99	(97.34)	(1,12.01)
Other Operations	5,99.96	9,40.88	13,89.62	10,75.65	12,14.63	(4,83.33)

Segment Information for the Year Ended 31st December, 2003

Information About Secondary Business Segments

	2003 Rs. lakhs	2002 Rs. lakhs
Revenue by Geographical Market		
India	9387,02.13	9251,76.32
Outside India	1559,24.78	1460,90.68
Total	10946,26.91	10712,67.00
Additions to Fixed Assets and Intangible Assets		
India	186,48.43	184,19.13
Outside India	87.10	51.32
Total	187,35.53	184,70.45
Carrying Amount of Segment Assets		
India	3683,00.13	3314,79.09
Outside India	40,74.26	47,47.57
Total	3723,74.39	3362,26.66

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 :

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

Ice Cream Segment Results includes benefit arising out of early repayment of deferred sales tax liability of Rs. 10,93.84 lakhs (2002 - Rs. Nil lakhs).

Exports Segment Result for 2002 includes a charge of Rs. 13,91 lakhs (net) relating to prior periods.

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.

	2003 Rs. lakhs	2002 Rs. lakhs
3. Revenue comprise		
Sales	10836,94.78	10628,60.91
Income from services rendered (included in Other Income)	87,99.19	79,64.37
Income from property development activity (included in Other Income)	21,32.94	4,41.72
Total	10946,26.91	10712,67.00

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

5. In view of the adoption AS-23 and AS-27, the figures of the current year are not comparable to those of the previous year.

Notes to the Cash Flow Statement for the year ended 31st December, 2003

	2003 Rs. lakhs	2002 Rs. lakhs
1. Cash and cash equivalents include :		
Cash and bank balances	892,39.67	977,28.21
Unrealised loss / (gain) on foreign currency cash and cash equivalents	2.04	(5.37)
Total cash and cash equivalents	892,41.71	977,22.84
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. Details of purchase consideration on selling seeds business, considered under exceptional items to PEGSL :		
Receivable from PEGSL for sale of Seeds business (including Rs. 39,12.06 lakhs towards net current assets)		115,02.00
Cash and cash equivalent received		(91,02.75)
Shares in PEGSL		(7,19.25)
Balance Receivable (Refer Schedule 13)	16,80.00	16,80.00
4. Balance consideration received on transfer of Nickle Catalyst and Adhesives businesses.	—	17,91.31
5. Considerations received on sale of Diversey Lever business considered under exceptional items (including Rs. 7,35.85 lakhs towards net current assets).	—	56,03.97
6. The Group acquired additional shares in a subsidiary for cash	62.59	1,25.59
7. In view of notes 2 to 6 above and the adoption of the Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures" during the year, the current year's figures are not comparable with those of the previous year.		
8. 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.		
9. The previous year's figures have been regrouped / restated wherever necessary to conform to this year's classification.		

Related Party Disclosures

A. Where control exists Holding Company :

Unilever PLC

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.
 Van den Bergh Foods
 Unilever Australia Export Pty. Ltd.
 Unilever Australia Ltd.
 Lever Brothers Bangladesh Ltd.
 Unilever Canada
 Unilever Cote d'Ivoire
 Unilever Ghana Ltd.
 Unilever Kenya Ltd.
 UL 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
 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

Fellow Subsidiaries : (Contd.)

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 Limited (Also an Associate)
 Unilever Industries Private Limited
 Digital Securities Private Limited
 Lever Faberge France
 Unilever Tanzania Ltd.
 Unilever Cambodia Ltd.
 Lever Faberge Belgium
 Unilever Maghreb Export SA, Tunisia
 Unilever Co. Ltd., China
 Conopco INC, USA
 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

(ii) Joint Ventures :

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

(iii) Associate :

Vashisti Detergents Ltd.

(iv) Key Management Personnel :

M.S. Banga
 M.K. Sharma
 A.S. Abhiraman
 A. Adhikari
 V. Balaraman (upto 30th June, 2002)
 S.K. Dhall
 G. Kapur
 A.K. Mathur
 J.H. Mehta
 S. Ravindranath
 D. Sehgal
 G. Singh (upto 30th October, 2003)
 D. Sundaram
 A. Weijburg

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

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

Related Party Disclosures

Disclosure of transactions between the Company and Related parties and the status of outstanding balances as on 31st December, 2003

			Rs. lakhs
		2003	2002
(i) Holding Company :	Dividend paid	1027,20.82	397,40.34
	Royalty paid	54,08.30	52,52.74
	Interest on 9% Debenture	21,63.62	—
	Debenture Allotment Money received	476,88.41	—
	Outstanding Balances :		
	- Payables at the year end	35,93.62	13,00.00
	- 9% Debentures	476,88.41	—
(ii) Fellow Subsidiaries :	Sale of finished goods / raw materials etc.	641,66.47	541,58.53
	Sale of fixed assets	—	8,34.11
	Sale of investments	502,94.35	439,85.74
	Interest received on sale of investments	11,08.51	13,11.53
	Royalty received	68.85	77.14
	Dividend received	9,47.76	10,33.92
	Rent received	1,10.00	—
	Interest received	79.02	61.39
	Income from services rendered	74,22.80	80,19.22
	Expenses shared by a fellow subsidiary	6,39.62	6,96.09
	Processing charges paid	39,99.68	48,96.53
	Purchase of goods	94,28.68	83,94.68
	Purchase of fixed assets	2,02.89	5,01.00
	Purchase of investments	441,24.98	458,44.40
	Interest paid on purchase of investments	9,61.64	13,72.15
	Advertisement Expenditure	1,72.76	2,16.75
	Interest Paid	0.96	—
	Dividend paid	439,47.13	170,02.14
	Royalty paid	1,63.46	1,93.52
	Interest on 9% Debentures	9,25.66	—
	Debenture Allotment Money received	204,02.56	—
	9% Debentures Outstanding	204,02.56	—
	Unsecured loans		
	- Repaid during the year	—	6,59.73
	Advances and loans :		
	- Receivables	173,02.99	109,84.67
	- Payables	26,78.33	10,96.76
(iii) Joint Ventures :	Purchase of goods	81,07.91	58,80.66
	Sales of Goods	34.97	—
	Interest received	—	0.46
	Purchase of fixed asset	—	4.68
	Sale of fixed asset	—	17.95
	Advances and loans		
	- Inter Corporate Deposits :		
	- Advanced during the year	—	15.00
	- Repayments during the year	—	52.00
	- Payables	69.05	25.74
	- Receivables	3,19.29	—
(iv) Associate :	Processing charges paid	25,88.33	—
	Outstanding Payable at the year end	6,40.74	—
(v) Key Management Personnel :	Remuneration	14,69.32	13,87.34
	Rent Paid	47.63	14.84
	Dividend Paid	24.62	8.79
	Sale of Fixed Assets	5.11	—
	Interest on 9% Debentures	0.51	—
	Debenture Allotment Money received	11.43	—
	9% Debentures Outstanding	11.43	—
	Debenture Interest payable	0.51	—
	Advances and progress payments -Property Development Activity		
	- Sale of Flat	1,96.85	—
	- Outstanding at the year end	—	89.85
	- Received during the year	96.79	10.21
	Loans		
	- Outstanding at the year end	27.30	5,32.81
	- Advanced during the year	9.30	1,01.54
	- Repayments (including interest) during the year	5,14.82	5,29.05
(vi) Employees' Benefit Plans where there is significant influence :	Contributions during the year	49,07.38	34,67.41
	Outstanding receivables at the year end	20,39.52	15,70.87

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, 2003, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Hindustan Lever Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement 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 joint ventures whose financial statements reflect the Group's share of total assets of Rs. 178,98.76 lakhs as at 31st December, 2003 and the Group's share of total revenues of Rs. 158,75.37 lakhs and net cash inflows amounting to Rs. 46,08 lakhs for the year ended on that date and an associate whose financial statements reflect the Group's share of profit of Rs. 84.51 lakhs upto and 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 ventures and the associate for the year ended 31st March, 2003 have been audited by other auditors and for the year ended 31st December, 2003 have been certified by their Directors, whose reports/certificates have been furnished to us, and our opinion, in so far as it relates to amounts included in respect of these joint ventures and the associate is based solely on these reports/certificates.
4. We report that the consolidated financial statements have been prepared by Hindustan Lever Limited'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 :
 - (a) in the case of the consolidated balance sheet, of the state of affairs of the Hindustan Lever Limited Group as at 31st December, 2003;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date, and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

S.R. Tata
(Partner)
Membership No. 38320

Thomas Mathew
(Partner)
Membership No. 50087

Mumbai : 17th February, 2004

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial Year Ending of the Subsidiary	Number of Shares Held	Extent of Holding	For Financial Year of the Subsidiary		For the Previous Financial Years since it became a subsidiary	
				Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (Except to the extent dealt with in Col. 6)	(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)	(8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Lipton India Exports Limited	31.12.2003	4,80,000	100.00%	Rs. lakhs 1,27.90	Rs. lakhs —	Rs. lakhs 253,37.66	Rs. lakhs 136,80.00
Indexport Limited	31.12.2003	25,10,000	100.00%	(2,71.70)	—	102,77.09	60,86.75
Bon Limited	31.12.2003	50,000	100.00%	(1.84)	—	19.22	—
Nepal Lever Limited - (Nepalese Rs.)	16.07.2003	7,36,560	80.00%	7,45.34	6,62.90	35,57.79	15,09.21
- (Indian Rs.)	(Ashaad 32, 2060)			4,65.84	4,13.93	22,23.62	9,43.58
Lever India Exports Limited	31.12.2003	30,000	100.00%	37,78.91	36,00.00	170,21.02	120,51.00
Merryweather Food Products Limited	31.12.2003	8,46,000	100.00%	(18.45)	—	(4,83.69)	—
International Fisheries Limited	31.12.2003	2,96,240	99.98%	(48.10)	—	(5,65.68)	—
Modern Food Industries (India) Limited	31.12.2003	1,47,550	100.00%	(14,44.09)	—	(55,08.65)	—
Daverashola Tea Company Limited	31.12.2003	12,000	100.00%	1.68	—	17.28	—
Ponds' Exports Limited	31.12.2003	2,00,003	100.00%	2,20.06	—	(3,20.31)	—
Thiashola Tea Company Limited	31.12.2003	50,000	100.00%	0.26	—	6.76	—
Indigo Lever Shared Services Limited (formerly known as The Doolia Tea Company Limited)	31.12.2003	5,000	100.00%	(2,63.45)	—	(0.04)	—
Rosell Industries Limited*	31.12.2003	61,58,993	60.87%	(16,03.66)	—	(3,24.83)	—
TOC Disinfectants Limited**	31.12.2003	5,50,00,120	50.00%	(1,53.13)	—	(4,41.01)	—
Modern Food and Nutrition Industries Limited ***	31.12.2003	50,006	100.00%	(4.99)	—	—	—

Changes in Company's interest in Nepal Lever Limited between 16th July, 2003 and 31st December, 2003 : **NIL**

Material changes between 16th July, 2003 and 31st December, 2003 in respect of the fixed assets of, investments of, moneys lent and moneys borrowed (other than meeting current liabilities) by Nepal Lever Ltd. : **NIL**

* 61,58,993 shares of 1,01,19,055 shares are held by Lipton India Exports Limited.

** 5,50,00,120 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. Incorporated during the year.

Note :

- Hindustan Lever Limited held the whole of the paid-up capital of Levers Associated Trust Limited, Levindra Trust Limited and Hindlevar Trust Limited which were non-profit making organisations.
- The Company entered into a Memorandum of Understanding with a third party for transfer of Mushrooms business undertaking effective August 1, 2003 by transferring equity shares and debentures held by the Company in KICM (Madras) Limited, a wholly owned subsidiary. The shares and debentures are in the process of being transferred. The financial year ending of KICM (Madras) Limited has been extended upto 31st March, 2004. Accordingly the accounts of KICM (Madras) Limited has not been attached as the accounts for the previous year ended 31st December, 2002 was already attached last year.

M. S. Banga	Chairman
M. K. Sharma	Vice Chairman
D. Sundaram	Finance Director
P. Kabra	Group Controller
O. P. Agarwal	Company Secretary

Mumbai : 17th February, 2004

Code of Business Principles

Standard of Conduct

Unilever Group of Companies in India conduct their operations with honesty, integrity and openness, and with respect for the human rights and interests of their employees.

We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law

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

Employees

We are committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company.

We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour.

We are committed to working with employees to develop and enhance each individual's skills and capabilities.

We respect the dignity of the individual and the right of employees to freedom of association.

We will maintain good communications with employees through company based information and consultation procedures.

Consumers

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

Shareholders

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

Business Partners

We are committed to establishing mutually beneficial relations with our suppliers, customers and business partners.

In our business dealings we expect our partners to adhere to business principles consistent with our own.

Community Involvement

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

Public Activities

Unilever companies are encouraged to promote and defend their legitimate business interests.

We will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests.

Unilever companies neither support political parties nor contribute to the funds of groups whose activities are calculated to promote party interests.

The Environment

We are committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business.

We will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation

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

Competition

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

Business Integrity

Unilever companies do not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

The companies' accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interest

All Unilever employees are expected to avoid personal activities and financial interest which could conflict with their responsibilities to the company.

Unilever employees must not seek gain for themselves or others through misuse of their positions.

Compliance - Monitoring - Reporting

Compliance with these principles is an essential element in our business success. The Boards of Unilever Companies are responsible for ensuring these principles are communicated to, and understood and observed by, all employees.

Day-to-day responsibility is delegated to the senior management of the operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs.

Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by the Audit Committee of the Board and the Corporate Risk Committee.

Any breaches of the Code must be reported in accordance with the procedures specified. The Boards will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions.

The Board expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles.

Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

