Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 1 COMPANY INFORMATION

Hindustan Unilever Limited (the 'Company') is a public limited Company domiciled in India with its registered office located at Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099. The Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company is in the FMCG business comprising primarily of Home Care, Beauty & Personal Care and Foods & Refreshment segments. The Company has manufacturing facilities across the country and sells primarily in India.

NOTE 2 BASIS OF PREPARATION, MEASUREMENT AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Measurement

(a) Basis of preparation

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements are presented in INR, the functional currency of the Company. Items included in the financial statements of the Company are recorded using the currency of the primary economic environment in which the Company operates (the 'functional currency').

Transactions and balances with values below the rounding off norm adopted by the Company have been reflected as "0" in the relevant notes to these financial statements.

The financial statements of the Company for the year ended March 31, 2020 were approved for issue in accordance with the resolution of the Board of Directors on April 30, 2020.

(b) Basis of measurement

These financial statements are prepared under the historical cost convention unless otherwise indicated.

2.2 Key Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgements based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year, are included in the following notes:

(a) Measurement of defined benefit obligations - Note 38

(b) Measurement and likelihood of occurrence of provisions and contingencies - Notes 20 and 23

(c) Recognition of deferred tax assets - Note 9

(d) Key assumptions used in discounted cash flow projections - Note 40

(e) Impairment of Intangible assets - Note 4

(f) Measurement of Lease liabilities and Right of Use Asset (ROUA) - Notes 3 and 19

Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):

The COVID-19 pandemic is an evolving human tragedy declared a global pandemic by the World Health Organisation with adverse impact on economy and business. Supply Chain disruptions in India as a result of the outbreak started with restrictions on movement of goods, closure of borders etc., in several states followed by a nationwide lockdown from the 25th of March 2020 announced by the Indian Government, to stem the spread of COVID-19. Due to this the operations in many of HUL's manufacturing, distribution centres, warehouses and extended supply chain partner locations got temporarily disrupted. HUL manufactures and supplies essential day-to-day products such as soaps, hand sanitisers, laundry detergents, floor cleaners, foods, beverages etc. amongst others and a large part of HUL's portfolio is considered essential to consumer requirements in these challenging times.

In light of these circumstances, the Company has considered the possible effects that may result from COVID-19 on the carrying amounts of financials assets, inventory, receivables, advances, property plant and equipment, Intangibles etc. as well as liabilities accrued. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic, the Company has used internal and external information such as our current contract terms, financial strength of partners, investment profile, future volume estimates from the business etc. Having reviewed the underlying data and based on current estimates the Company expects the carrying amount of these assets will be recovered and there is no significant impact on liabilities accrued. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

2.3 Recent Accounting Developments

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

2.4 Significant Accounting Policies

(a) Property, Plant and Equipment:

Property, plant and equipment is stated at acquisition cost net of accumulated depreciation and accumulated impairment losses, if any. Property, plant and equipment acquired in a business combination are recognised at fair value at the acquisition date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance cost are charged to the Statement of Profit and Loss during the period in which they are incurred.

Gains or losses arising on retirement or disposal of property, plant and equipment are recognised in the Statement of Profit and Loss.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under "Other Non-Current Assets".

Depreciation is provided on a pro-rata basis on the straight-line method based on estimated useful life prescribed under Schedule II to the Companies Act, 2013 with the exception of the following:

- plant and equipment is depreciated over 3 to 21 years based on the technical evaluation of useful life done by the management.
- assets costing ₹ 5,000 or less are fully depreciated in the year of purchase.

Freehold land is not depreciated.

The residual values, useful lives and method of depreciation of property, plant and equipment is reviewed at each financial year end and adjusted prospectively, if appropriate.

(b) Intangible Assets:

Intangible assets purchased are initially measured at cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Finite-life intangible assets are amortised on a straight-line basis over the period of their estimated useful lives. Estimated useful lives by major class of finite-life intangible assets are as follows:

Design	- 10 years
Know-how	- 10 years
Computer software	- 5 years
Trademarks	- 5 years

The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, if appropriate.

For indefinite life intangible assets, the assessment of indefinite life is reviewed annually to determine whether it continues, if not, it is impaired or changed prospectively basis revised estimates.

Goodwill is initially recognised based on the accounting policy for business combinations [refer note 2.4. (r)] and is tested for impairment annually.

(c) Investments in Subsidiaries, Associates and Joint Ventures:

Investments in Subsidiaries, Associates and Joint Ventures are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, associates and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

(d) Inventories:

Inventories are valued at the lower of cost and net realisable value. Cost is computed on a weighted average basis. Cost of finished goods and work-in-progress include all costs of purchases, conversion costs and other costs incurred

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to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(e) Cash and Cash Equivalents:

Cash and cash equivalents are cash, balances with bank and short-term (three months or less from the date of placement), highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

(f) Assets Held for Sale:

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all the following criteria are met: (i) decision has been made to sell, (ii) the assets are available for immediate sale in its present condition, (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Balance Sheet date.

Subsequently, such non-current assets and disposal groups classified as 'held for sale' are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

(g) Financial Instruments:

Financial Assets:

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value. In case of Financial assets which are recognised at fair value through profit and loss (FVTPL), its transaction cost is recognised in the statement of profit and loss. In other cases, the transaction cost is attributed to the acquisition value of the financial asset.

Financial assets are subsequently classified and measured at

- amortised cost

- fair value through profit and loss (FVTPL)

- fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their recognition, except during the period the Company changes its business model for managing financial assets.

Trade Receivables and Loans:

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses. The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

Debt Instruments:

Debt instruments are initially measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL') till derecognition on the basis of (i) the Company's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

(i) Measured at amortised cost:

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the 'EIR' method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

(ii) Measured at fair value through other comprehensive income (FVOCI):

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

(iii) Measured at fair value through profit or loss (FVTPL):

A financial asset not classified as either amortised cost or FVOCI, is classified as FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.

Equity Instruments:

All investments in equity instruments classified under financial assets are initially measured at fair value, the Company may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL.

The Company makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument is recognised as 'other income' in the Statement of Profit and Loss unless the Company has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI are recognised in OCI. Amounts recognised in OCI are not subsequently reclassified to the Statement of Profit and Loss. Dividend income on the investments in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

Derivative Financial Instruments:

The Company uses derivative financial instruments to hedge its foreign currency and commodity risks. Derivatives are measured at fair value. The treatment of changes in the value of derivative depends on their use as explained below:

Cash flow hedges:

Derivatives are held to hedge the uncertainty in timing or amount of future forecast cash flows. Such derivatives are classified as being part of cash flow hedge relationships. For an effective hedge, gains and losses from changes in the fair value of derivatives are recognised in other comprehensive income. Any ineffective elements of the hedge are recognised in the statement of profit and loss.

If the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts accumulated in other comprehensive income are taken to the statement of profit and loss at the same time as the related cash flow.

Derivatives for which hedge accounting is not applied

Derivative financial instruments for which hedge accounting is not applied are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently measured at FVTPL.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

Impairment of Financial Asset

The Company applies expected credit loss (ECL) model for measurement and recognition of loss allowance on the following:

i. Trade receivables

ii. Financial assets measured at amortised cost (other than trade receivables)

iii. Financial assets measured at fair value through other comprehensive income (FVTOCI).

In case of trade receivables, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

In case of other assets (listed as ii and iii above), the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect unbiased and probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

As a practical expedient, the Company uses a provision matrix to measure lifetime ECL on its portfolio of trade receivables. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

ECL allowance recognised (or reversed) during the period is recognised as income/expense in the Statement of Profit and Loss under the head 'Other expenses'.

Financial Liabilities:

Initial recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss. In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

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Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(h) Provisions and Contingent Liabilities:

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

(i) Revenue Recognition:

Revenue from sale of goods is recognised when control of the products being sold is transferred to our customer and when there are no longer any unfulfilled obligations. The Performance Obligations in our contracts are fulfilled at the time of dispatch, delivery or upon formal customer acceptance depending on customer terms.

Revenue is measured on the basis of contracted price, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the Government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for such discounts and rebates. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

Our customers have the contractual right to return goods only when authorised by the Company. An estimate is made of goods that will be returned and a liability is recognised for this amount using a best estimate based on accumulated experience.

Income from services rendered is recognised based on agreements/arrangements with the customers as the service is performed and there are no unfulfilled obligations.

Interest income is recognised using the effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive dividend is established.

(j) Government Grant:

The Company is entitled to 'Scheme of budgetary support' under Goods and Service Tax Regime in respect of eligible manufacturing units located in specified regions. Such grants are measured at amount receivable from the Government and are recognised as other operating revenue when there is a reasonable assurance that the Company will comply with all necessary conditions attached to that.

Income from such grants is recognised on a systematic basis over the periods to which they relate.

(k) Expenditure:

Expenses are accounted on accrual basis.

(l) Employee Benefits:

Defined contribution plans

Contributions to defined contribution schemes such as employees' state insurance, labour welfare fund, superannuation scheme, employee pension scheme etc. are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the employees. Company's provident fund contribution, in respect of certain employees, is made to a Government administered fund and charged as an expense to the Statement of Profit and Loss. The above benefits are classified as Defined Contribution Schemes as the Company has no further defined obligations beyond the monthly contributions.

Defined benefit plans

In respect of certain employees, provident fund contributions are made to a trust administered by the Company. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. The liability in respect of the shortfall of interest earnings of the Fund is determined on the basis of an actuarial valuation. The Company also provides for retirement/post-retirement benefits in the form of gratuity, pensions (in respect of certain employees), compensated absences (in respect of certain employees) and medical benefits (in respect of certain employees) including to the employees of group companies.

For defined benefit plans, the amount recognised as 'Employee benefit expenses' in the Statement of Profit and Loss is the cost of accruing employee benefits promised to employees over the year and the costs of individual events such as past/future service benefit changes and settlements (such events are recognised immediately in the Statement of Profit and Loss). The amount of net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset is charged or credited to 'Finance costs' in the Statement of Profit and Loss. Any differences between the expected interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised immediately in 'Other comprehensive income' and subsequently not reclassified to the Statement of Profit and Loss.

The defined benefit plan surplus or deficit on the Balance Sheet date comprises fair value of plan assets less the present value of the defined benefit liabilities using a discount rate by reference to market yields on Government bonds at the end of the reporting period.

All defined benefit plans obligations are determined based on valuations, as at the Balance Sheet date, made by independent actuary using the projected unit credit method. The classification of the Company's net obligation into current and non-current is as per the actuarial valuation report.

Termination benefits

Termination benefits, in the nature of voluntary retirement benefits or termination benefits arising from restructuring, are recognised in the Statement of Profit and Loss. The Company recognises termination benefits at the earlier of the following dates:

(a) when the Company can no longer withdraw the offer of those benefits; or

(b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37: Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-Based Payments

Employees of the Company receive remuneration in the form of share-based payments in consideration of the services rendered. Under the equity settled share based payment, the fair value on the grant date of the awards given to employees is recognised as 'employee benefit expenses' with a corresponding increase in equity over the vesting period. The fair value of the options at the grant date is calculated by an independent valuer basis Black Scholes model. At the end of each reporting period, apart from the non-market vesting condition, the expense is reviewed and adjusted to reflect changes to the level of options expected to vest. When the options are exercised, the Company issues fresh equity shares.

For cash-settled share-based payments, the fair value of the amount payable to employees is recognised as 'employee benefit expenses' with a corresponding increase in liabilities, over the period of non-market vesting conditions getting fulfilled. The liability is remeasured at each reporting period up to, and including the settlement date, with changes in fair value recognised in employee benefits expenses. Refer Note 39 for details.

(m) Impairment of Non-Financial Assets:

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired. Indefinite life intangible assets are subject to a review for impairment annually or more frequently if events or circumstances indicate that it is necessary. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

If any indication of impairment exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made. Asset/cash generating unit whose carrying value exceeds their recoverable amount are written down to the recoverable amount by recognising the impairment loss as an expense in the Statement of Profit and Loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill (if any) allocated to the cash generating unit and then to the other assets of the unit, pro rata based on the carrying amount of each asset in the unit. Recoverable amount is higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. Basis the assessment a reversal of an impairment loss for an asset other than goodwill is recognised in the Statement of Profit and Loss account.

(n) Income Taxes:

Income tax expense for the year comprises of current tax and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent it relates to a business combination or to an item which is recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable/ receivable on the taxable income/ loss for the year using applicable tax rates for the relevant period, and any adjustment to taxes in respect of previous years. Interest expenses and penalties, if any, related to income tax are included in finance cost and other expenses respectively. Interest Income, if any, related to Income tax is included in Other Income.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for

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(All amounts in ₹ crores, unless otherwise stated)

financial reporting purposes and the corresponding amounts used for taxation purposes.

A deferred tax liability is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

(o) Leases:

The Company has adopted Ind AS 116-Leases effective 1st April, 2019, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been restated.

The Company's lease asset classes primarily consist of leases for Land and Buildings and Plant & Machinery. The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contract involves the use of an identified asset

(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

(iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and leases of low value assets. For these short-term and leases of low value assets, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments. The remeasurement normally also adjusts the leased assets.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

(p) Foreign Currencies:

Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses from settlement of these transactions are recognised in the Statement of Profit and Loss. Foreign currency denominated monetary assets and liabilities are translated into functional currency at exchange rates in effect at the balance sheet date, the gain or loss arising from such translations are recognised in the statement of profit and loss.

(q) Earnings Per Share:

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

(r) Business Combination:

Business combinations are accounted for using the acquisition accounting method as at the date of the acquisition, which is the date at which control is transferred to the Company.

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The consideration transferred in the acquisition and the identifiable assets acquired and liabilities assumed are recognised at fair values on their acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are recognised in the Statement of Profit and Loss.

Transaction costs are expensed as incurred, other than those incurred in relation to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration are recognised in the Statement of Profit and Loss.

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NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Refer Note 2.4 (a) and 2.4 (o) for accounting policy on Property, Plant and Equipment and Leases

Property, plant and equipment	As at 31st March, 2020	As at 31st March, 2019
Owned Assets	3,825	3,880
Leased Assets	800	27
Total	**4,625**	**3,907**

A. Owned Assets

	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Office equipment	Total
Gross Block						
Balance as at 31st March, 2018	58	1,273	3,382	58	70	4,841
Additions	-	158	474	11	19	662
Disposals / Reclassifications	1	3	(59)	-	-	(55)
Acquisitions through business combination (Refer note 40)	-	-	1	-	-	1
Balance as at 31st March, 2019	59	1,434	3,798	69	89	5,449
Additions	-	102	493	5	26	626
Disposals / Reclassifications	-	(7)	(307)	59	16	(239)
Balance as at 31st March, 2020	**59**	**1,529**	**3,984**	**133**	**131**	**5,836**
Accumulated Depreciation						
Balance as at 31st March, 2018	-	117	922	24	29	1,092
Additions	-	50	434	9	17	510
Disposals / Reclassifications	-	6	(39)	-	-	(33)
Balance as at 31st March, 2019	-	173	1,317	33	46	1,569
Additions	-	76	442	19	31	568
Disposals / Reclassifications	-	15	(174)	27	6	(126)
Balance as at 31st March, 2020	**-**	**264**	**1,585**	**79**	**83**	**2,011**
Net Block						
Balance as at 31st March, 2019	59	1,261	2,481	36	43	3,880
Balance as at 31st March, 2020	**59**	**1,265**	**2,399**	**54**	**48**	**3,825**

NOTES:

(a) Buildings include ₹ 0 crore (31st March, 2019: ₹ 0 crore) being the value of shares in co-operative housing societies.

(b) The title deeds of Freehold Land aggregating ₹ 0 crore (31st March, 2019: ₹ 0 crore) are in the process of perfection of title.

(c) The Property, Plant and Equipment in 3A includes assets given on lease given in the below table:

	Building	Plant and equipment	Furniture and fixtures	Office equipment	Total
Gross Block as at 31st March, 2019	0	54	0	0	54
Accumulated Depreciation as at 31st March, 2019	(0)	(12)	(0)	(0)	(12)
Net Block as at 31st March, 2019	0	42	0	0	42
Gross Block as at 31st March, 2020	0	62	0	0	62
Accumulated Depreciation as at 31st March, 2020	(0)	(35)	(0)	(0)	(35)
Net Block as at 31st March, 2020	**0**	**27**	**0**	**0**	**27**

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

B. Leased Assets

	Leasehold land	Land & Building	Plant and equipment	Total
Movements during the year				
Balance as at 31st March, 2019	27	-	-	27
Addition on account of Transition to Ind AS 116 - 1st April, 2019	-	146	527	673
Additions	-	268	212	480
Disposals	(2)	(98)	(34)	(134)
Balance as at 31st March, 2020	**25**	**316**	**705**	**1,046**
Accumulated Depreciation				
Additions	0	159	196	355
Disposals	-	(82)	(27)	(109)
Balance as at 31st March, 2020	**0**	**77**	**169**	**246**
Net Block as at 31st March, 2020	**25**	**239**	**536**	**800**

NOTES:

(a) The Company has adopted Ind AS 116 effective 1st April, 2019, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been restated.

This has resulted in recognising a right-of-use asset of ₹ 673 crores and a corresponding lease liability of ₹ 725 crores. The difference of ₹ 35 crores (net of deferred tax asset created of ₹ 17 crores) has been adjusted to retained earnings as at 1st April 2019.

In the statement of profit and loss for the current year, operating lease expenses which were recognised as other expenses in previous periods is now recognised as depreciation expense for the right-of-use asset and finance cost for interest accrued on lease liability. The adoption of this standard did not have any significant impact on the profit for the year and earnings per share. The weighted average incremental borrowing rate of 8.5% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

(b) The Company incurred ₹ 102 crores for the year ended 31st March, 2020 towards expenses relating to short-term leases and leases of low-value assets. The total cash outflow for leases is ₹ 528 crores for the year ended 31st March, 2020, including cash outflow of short-term leases and leases of low-value assets. Interest on lease liabilities is ₹ 74 crores for the year.

(c) The Company's leases mainly comprise of land and buildings and Plant and equipment. The Company leases land and buildings for manufacturing and warehouse facilities. The Company also has leases for equipment.

(d) The title deeds of Leasehold Land, net block aggregating ₹ 1 crore, (31st March, 2019: ₹ 1 crore) are in the process of perfection of title.

C. Capital work-in-progress

Capital work-in-progress as at 31st March, 2020 is ₹ 513 crores (31st March, 2019: ₹ 373 crores).

For contractual commitment with respect to property, plant and equipment refer Note 23 B(ii).

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 4 INTANGIBLE ASSETS

Refer Note 2.4 (b) for accounting policy on Intangible Assets

	Goodwill	Other intangible assets				
		Brand/ Trademarks	Knowhow and design	Computer software	Others	Total
Gross Block						
Balance as at 31st March, 2018	**0**	**315**	**59**	**25**	**-**	**399**
Additions		-		1	1	2
Disposals	-	-	-	(0)	-	(0)
Acquisitions through business combination (Refer note 40)	36	14	6		26	46
Balance as at 31st March, 2019	**36**	**329**	**65**	**26**	**27**	**447**
Additions	-	-	-	11	-	11
Disposals	-	-	-	(1)	-	(1)
Balance as at 31st March, 2020	**36**	**329**	**65**	**36**	**27**	**457**
Accumulated Amortisation and Impairment						
Balance as at 31st March, 2018	**-**	**4**	**12**	**17**	**-**	**33**
Additions	-	2	7	3	2	14
Disposals	-	-	-	(0)	-	(0)
Balance as at 31st March, 2019	**-**	**6**	**19**	**20**	**2**	**47**
Additions	-	3	7	2	3	15
Disposals	-	-	-	(0)	-	(0)
Balance as at 31st March, 2020	**-**	**9**	**26**	**22**	**5**	**62**
Net Block						
Balance as at 31st March, 2019	**36**	**323**	**46**	**6**	**25**	**400**
Balance as at 31st March, 2020	**36**	**320**	**39**	**14**	**22**	**395**

Other Intangibles include Customer Relationship, etc.

Impairment Charges

The goodwill and indefinite life intangible assets are tested for impairment and accordingly no impairment charges were identified for FY 2019-20 (Nil for FY 2018-19).

Significant Cash Generating Units (CGUs)

The Company has identified its reportable segments, i.e. Home Care, Beauty & Personal Care, Foods & Refreshment and Others as the CGUs. The goodwill and brand (with indefinite life) acquired through business combination have been allocated to CGU 'Beauty & Personal Care' and "Foods & Refreshment" segment of the Company. The carrying amount of goodwill and brand (with indefinite life) as at 31st March, 2020 is ₹ 36 crores and ₹ 311 crores respectively.

Following key assumptions were considered while performing Impairment testing:

	Beauty & Personal Care	Foods & Refreshment
Annual Growth rate for 5 years	7.0%	7.0%
Terminal Growth rate	2.0%	2.0%
Weighted Average Cost of Capital % (WACC) before tax (Discount rate)	9.1%	9.1%
Average segmental margins	28.4%	16.7%

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

The projections cover a period of five years, as the Company believes this to be the most appropriate timescale over which to review and consider annual performances before applying a fixed terminal value multiple to the final year cash flows. The growth rates used to estimate future performance are based on the estimates from past performance. Segmental margins are based on FY 2019-20 performance.

Weighted Average Cost of Capital % (WACC) = Risk free return + (Market risk premium x Beta for the Company).

The Company has performed sensitivity analysis around the base assumptions and has concluded that no reasonable change in key assumptions would result in the recoverable amount of the CGU to be less than the carrying value.

NOTE 5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Refer Note 2.4 (c) for accounting policy on Investment in Subsidiaries, Associates and Joint Ventures

	As at 31st March, 2020	As at 31st March, 2019
Investment In Subsidiaries		
Unquoted		
7,36,560 equity shares [31st March, 2019: 7,36,560] of Nepalese ₹ 100 each held in Unilever Nepal Limited	5	5
29,75,000 equity shares [31st March, 2019: 29,75,000] of ₹ 10 each held in Unilever India Exports Limited	73	73
3,59,07,547 equity shares [31st March, 2019: 3,59,07,547] of ₹ 10 each held in Lakme Lever Private Limited	172	172
1,79,10,132 equity shares [31st March, 2019: 1,79,10,132] of ₹ 1 each held in Pond's Export Limited [net of impairment in value of ₹ 3 crores (31st March, 2019: 3 crores)]	-	-
50,00,000 equity shares [31st March, 2019: 50,00,000] of ₹ 10 each held in Jamnagar Properties Private Limited [net of impairment in value of ₹ 5 crores (31st March, 2019: 5 crores)]	-	-
2,21,700 equity shares [31st March, 2019: 2,21,700] of ₹ 10 each held in Daverashola Estates Private Limited [net of impairment in value of ₹ 4 crores (31st March, 2019: Nil)]	-	4
50,000 equity shares [31st March, 2019: 50,000] of ₹ 10 each held in Levindra Trust Limited	0	0
50,000 equity shares [31st March, 2019: 50,000] of ₹ 10 each held in Hindlever Trust Limited	0	0
50,000 equity shares [31st March, 2019: 50,000] of ₹ 10 each held in Levers Associated Trust Limited	0	0
7,600 equity shares [31st March, 2019: 7,600] of ₹ 10 each held in Hindustan Unilever Foundation	0	0
10,000 equity shares [31st March, 2019: 10,000] of ₹ 10 each held in Bhavishya Alliance Child Nutrition Initiatives	0	0
Total	**250**	**254**
Aggregate amount of quoted investments	-	-
Aggregate Market value of quoted investments	-	-
Aggregate amount of unquoted investments	250	254
Aggregate amount of impairment in value of investments	12	8

Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

Investment in Associate

The Company holds 24% of equity holdings in Comfund Consulting Limited and 26% equity and preference capital holding in Aquagel Chemicals (Bhavnagar) Private Limited. The Company does not exercise significant influence or control on decisions of the investee. Hence, they are not being construed as associate companies.

Information about Subsidiaries

Name of the Company	Country of incorporation	Principal activities	Proportion (%) of equity interest As at 31st March, 2020	Proportion (%) of equity interest As at 31st March, 2019
Subsidiaries				
Unilever India Exports Limited	India	FMCG export business	100	100
Lakme Lever Private Limited	India	(i) Beauty salons (ii) Job work business	100	100
Unilever Nepal Limited	Nepal	FMCG business	80	80
Pond's Export Limited	India	Leather products business (primarily exports)	90	90
Jamnagar Properties Private Limited	India	Real estate Company	100	100
Daverashola Estates Private Limited	India	Real estate Company	100	100
Levindra Trust Limited	India	Discharge trust business as a trustee	100	100
Hindlever Trust Limited	India	Discharge trust business as a trustee	100	100
Levers Associated Trust Limited	India	Discharge trust business as a trustee	100	100
Hindustan Unilever Foundation	India	Not-for-profit Company in the field of community development initiatives.	76	76
Bhavishya Alliance Child Nutrition Initiatives	India	Not-for-profit Company that works in the area of social development issues	100	100

On 24th February, 2020, the Board of directors of the Company have approved the formation of a new wholly-owned subsidiary with an authorised share capital of ₹ 2,000 crores. As at 31st March, 2020, the Company is in the process of incorporating such subsidiary.

NOTE 6 INVESTMENTS

Refer Note 2.4 (g) for accounting policy on Investments.

	As at 31st March, 2020	As at 31st March, 2019
Non-Current Investments		
A. Equity instruments		
Fair value through profit and loss		
Quoted	0	0
Unquoted	1	1
Total (A)	**1**	**1**
B. Other instruments		
Amortised cost		
Unquoted		
Investment in debentures and bonds	0	0
Investment in National Savings Certificates	0	0
Fair value through profit and loss		
Unquoted		
Investment in preference shares	1	1
Total (B)	**1**	**1**
Total (A+B)	**2**	**2**

Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

	As at 31st March, 2020	As at 31st March, 2019
Current Investments		
C. Other instruments		
Fair value through other comprehensive income		
Quoted		
Investments in treasury bills	-	880
Fair value through profit and loss		
Quoted		
Investments in mutual funds	1,248	1,813
Total (C)	**1,248**	**2,693**
Total (A+B+C)	**1,250**	**2,695**
Aggregate amount of quoted investments	1,248	2,693
Aggregate Market value of quoted investments	1,248	2,693
Aggregate amount of unquoted investments	2	2
Aggregate amount of impairment in value of investments	0	0

Refer Note 36 for information about fair value measurement and Note 37 for credit risk and market risk of investments.

NOTE 7 LOANS

Refer Note 2.4 (g) for accounting policy on Loans.

	As at 31st March, 2020	As at 31st March, 2019
Non-Current		
Loans to related parties (Refer Note 41)	226	191
Security deposits	144	125
Others (including employee loans)	83	80
	453	**396**
Sub-classification of Loans:		
Loan Receivables considered good - Secured	-	-
Loan Receivables considered good - Unsecured	453	396
Loan Receivables which have significant increase in Credit Risk	-	-
Loan Receivables - credit impaired	-	-

Refer Note 37 for information about credit risk and market risk for loans.

NOTE 8 OTHER FINANCIAL ASSETS
(Unsecured, considered good unless otherwise stated)

Refer Note 2.4 (g) for accounting policy on Financial Instruments.

	As at 31st March, 2020	As at 31st March, 2019
Non-Current		
Investments in term deposits (with remaining maturity of more than twelve months)	1	1
Other assets (includes other receivables etc.)	2	10
Total (A)	**3**	**11**
Current		
Receivable from group companies	48	48
Fair Value of Derivatives	104	1
Investments in term deposits (with original maturity of more than twelve months but remaining maturity of less than twelve months)	599	-
Other assets (includes Government grants, other receivables, etc.)	659	494
Total (B)	**1,410**	**543**
Total (A+B)	**1,413**	**554**

Refer Note 37 for information about credit risk and market risk for other financial assets.

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 9 INCOME TAXES

Refer Note 2.4 (n) for accounting policy on Income Taxes.

A. Components of Income Tax Expense

	Year ended 31st March, 2020	Year ended 31st March, 2019
I. Tax expense recognised in the Statement of Profit and Loss		
Current tax		
Current year	2,407	2,686
Adjustments/(credits) related to previous years - (net)	(205)	(121)
Total (A)	**2,202**	**2,565**
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	91	(92)
Adjustments/(credits) related to previous years - (net)	61	13
Total (B)	**152**	**(79)**
Total (A+B)	**2,354**	**2,486**
II. Tax on Other Comprehensive Income		
Current tax		
(Gain)/loss on remeasurement of net defined benefit plans	-	3
(Gain)/loss on debt instruments through other comprehensive income	-	-
Deferred tax		
(Gain)/loss on remeasurement of net defined benefit plans	(17)	(6)
(Gain)/loss on debt instruments through other comprehensive income	(0)	1
(Gain)/loss on cash flow hedges through other comprehensive income	(40)	
	(57)	(2)

B. Reconciliation of Effective Tax Rate

The reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows:

	Year ended 31st March, 2020	Year ended 31st March, 2019
Statutory income tax rate	25.2%	34.9%
Differences due to:		
Expenses not deductible for tax purposes	1.2%	1.6%
Income exempt from income tax	-0.2%	-0.3%
Income tax incentives	-	-5.7%
Others*	-0.3%	-1.3%
Effective tax rate	**25.9%**	**29.2%**

* Others include prior period adjustment tax refunds, tax on exceptional items and impact of tax rate change.

Impact of tax rate change: The Company elected to exercise the option permitted under Section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured its Deferred Tax Assets basis the rate prescribed in the said section. The full impact of this change has been recognised in the statement of Profit & Loss for the year.

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

C. Movement in Deferred tax Assets and Liabilities

Movement during the year ended 31st March, 2019	As at 31st March, 2018	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 31st March, 2019
Deferred tax assets/(liabilities)				
Provision for post retirement benefits and other employee benefits	127	(22)	6	111
Provision for doubtful debts and advances	22	(1)	-	21
Expenses allowable for tax purposes when paid	157	68	-	225
Depreciation	(346)	(19)	-	(365)
Fair value gain/(loss)	(52)	(21)	(1)	(74)
Other temporary differences	347	74	-	421
	255	**79**	**5**	**339**

Movements during the year ended 31st March, 2020	As at 1st April, 2019	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 31st March, 2020
Deferred tax assets/(liabilities)				
Provision for post retirement benefits and other employee benefits	111	(92)	11	30
Provision for doubtful debts and advances	21	(7)	-	14
Expenses allowable for tax purposes when paid	225	(69)	5	161
Depreciation	(365)	127	-	(238)
Fair value gain/(loss)	(74)	(2)	41	(35)
Other temporary differences	421	(92)	-	329
Transition impact on adoption of Ind AS 116	17	(17)	-	0
	356	**(152)**	**57**	**261**

D. Tax Assets and Liabilities

	As at 31st March, 2020	As at 31st March, 2019
Non-current tax assets (net)	1,016	619
Non-current tax liabilities (net)	416	444

NOTE 10 OTHER NON-CURRENT ASSETS

	As at 31st March, 2020	As at 31st March, 2019
Deposit with Government Authorities (Customs, GST, etc.)	91	89
Capital advances	49	65
Other advances (includes advances for materials)	22	33
Less: Allowance for bad and doubtful advances	(22)	(33)
	140	**154**
The movement in allowance for bad and doubtful advances is as follows:		
Balance as at the beginning of the year	33	29
Change in allowance for bad and doubtful assets during the year	6	5
Written off during the year	(17)	(1)
Balance as at the end of the year	**22**	**33**

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 11 INVENTORIES

Refer Note 2.4 (d) for accounting policy on inventories.

	As at 31st March, 2020	As at 31st March, 2019
Raw materials [includes in transit: ₹ 65 crores (31st March, 2019: ₹ 24 crores)]	907	859
Packing materials	79	36
Work-in-progress	254	252
Finished goods [includes in transit: ₹ 20 crores (31st March, 2019: ₹ 17 crores)] (Refer note (a) below)	1,325	1,206
Stores and spares	71	69
	2,636	2,422

(a) Finished goods includes good purchased for re-sale, as both are stocked together.

(b) During FY 2019-20 an amount of ₹ 155 crores (31st March, 2019: ₹ 132 crores) was charged to the Statement of Profit and Loss on account of damage and slow moving inventory. The reversal on account of above during the year amounted to Nil (31st March, 2019: Nil).

NOTE 12 TRADE RECEIVABLES

Refer Note 2.4 (g) for accounting policy on Trade Receivables.

	As at 31st March, 2020	As at 31st March, 2019
Trade Receivables considered good - Secured	-	-
Trade Receivables considered good - Unsecured	1,059	1,681
Less: Allowance for expected credit loss	(13)	(8)
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	21	20
Less: Allowance for credit impairment	(21)	(20)
	1,046	1,673
The movement in change in allowance for expected credit loss and credit impairment		
Balance as at beginning of the year	28	34
Change in allowance for expected credit loss and credit impairment	6	0
Trade receivables written off during the year	(0)	(6)
Balance as at the end of the year	34	28

Refer note 37 for information about credit risk and market risk of trade receivables.

NOTE 13 CASH AND CASH EQUIVALENTS

Refer Note 2.4 (e) for accounting policy on Cash and Cash Equivalents.

	As at 31st March, 2020	As at 31st March, 2019
Cash on hand	0	0
Balances with Banks		
In current accounts	2,927	23
Term deposits with original maturity of less than three months	203	552
	3,130	575

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 14 BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

	As at 31st March, 2020	As at 31st March, 2019
Earmarked balances with banks		
Unpaid dividend	174	134
Others (Escrow accounts)	17	17
Investments in term deposits (with original maturity of more than three months but less than twelve months)	1,696	2,962
	1,887	3,113

NOTE 15 OTHER CURRENT ASSETS

	As at 31st March, 2020	As at 31st March, 2019
Input taxes (GST, etc.)	262	174
Other advances (includes prepaid expenses etc.)	271	177
	533	351

NOTE 16 ASSETS HELD FOR SALE

Refer Note 2.4 (f) for accounting policy on Assets Held for Sale.

	As at 31st March, 2020	As at 31st March, 2019
Groups of assets held for sale		
Land	3	1
Buildings	15	3
Plant and equipment	0	-
Furniture and fixtures	0	0
	18	4

Note: During the year, the Company had identified certain land of ₹ 2 crores (NBV: ₹ 2 crores), plant and equipment of ₹ 0 crore (NBV: ₹ 0 crore) and building of ₹ 25 crores (NBV: ₹ 13 crores) which has been moved from Property, Plant and Equipment to asset held for sale. The Company expects to dispose of these assets over the course of next 12 months.

NOTE 17 EQUITY SHARE CAPITAL

	As at 31st March, 2020	As at 31st March, 2019
Authorised		
2,25,00,00,000 (31st March, 2019: 2,25,00,00,000) equity shares of ₹ 1 each	225	225
Issued, subscribed and fully paid up		
2,16,48,44,187 (31st March, 2019: 2,16,47,04,405) equity shares of ₹ 1 each	216	216
	216	216

a) Reconciliation of the number of shares

Equity Shares	As at 31st March, 2020		As at 31st March, 2019	
	Number of shares	Amount	Number of shares	Amount
Balance as at the beginning of the year	2,16,47,04,405	216	2,16,45,28,777	216
Add: ESOP shares issued during the year (Refer note 39)	1,39,782	0	1,75,628	0
Balance as at the end of the year	2,16,48,44,187	216	2,16,47,04,405	216

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to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

b) Rights, preferences and restrictions attached to shares

Equity shares: The Company has one class of equity shares having a par value of ₹ 1 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

c) Shares held by Holding Company and Subsidiaries of Holding Company in aggregate

	As at 31st March, 2020	As at 31st March, 2019
Equity Shares of ₹ 1 each		
1,11,43,70,148 shares (31st March, 2019: 1,11,43,70,148) held by Unilever PLC, UK, the Holding Company	111	111
3,40,042,710 shares (31st March, 2019: 3,40,042,710) held by subsidiaries of the Holding Company	34	34

d) Details of equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

Unilever PLC, UK, the Holding Company	As at 31st March, 2020	As at 31st March, 2019
Number of shares	1,11,43,70,148	1,11,43,70,148
% of holding	51.48%	51.48%

e) Shares reserved for issue under options

	As at 31st March, 2020		As at 31st March, 2019	
	Number of shares	Amount	Number of shares	Amount
Under 2012 HUL Performance Share Scheme: equity shares of ₹ 1 each, at an exercise price of ₹ 1 per share (refer note 39)	1,47,765	0	2,85,049	0
	1,47,765	**0**	2,85,049	0

For terms and other details Refer note 39.

NOTE 18 OTHER EQUITY

Refer Statement of Changes in Equity for detailed movement in Other Equity balance.

A. Summary of Other Equity balance

	As at 31st March, 2020	As at 31st March, 2019
Capital Reserve	4	4
Capital Redemption Reserve	6	6
Securities Premium	153	142
Employee Stock Options Outstanding Account	16	25
Retained Earnings	7,664	7,303
Other Reserves	9	9
Items of Other Comprehensive Income		
- Remeasurements of net defined benefit plans	-	(47)
- Fair value of Cash flow hedges through OCI	(37)	-
- Fair value of Debt instruments through OCI	0	1
Total Other Equity	**7,815**	**7,443**

B. Nature and purpose of reserves

(a) **Capital Reserve:** During amalgamation, the excess of net assets acquired, over the cost of consideration paid is treated as capital reserve.

(b) **Capital Redemption Reserve:** The Company has recognised Capital Redemption Reserve on buyback of equity shares from its retained earnings. The amount in Capital Redemption Reserve is equal to nominal amount of the equity shares bought back.

(c) **Securities Premium:** The amount received in excess of face value of the equity shares is recognised in Securities Premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium.

(d) **Employee Stock Options Outstanding Account:** The fair value of the equity-settled share based payment transactions is recognised in Statement of Profit and Loss with corresponding credit to Employee Stock Options Outstanding Account.

(e) **Retained Earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

(f) **Other Reserves:** The Company has recognised Other Reserves on amalgamation of Brooke Bond Lipton India Limited as per statutory requirements. This reserve is not available for capitalisation/declaration of dividend/ share buy-back. Further it also includes capital subsidy and revaluation reserve.

(g) **Items of Other Comprehensive Income**

i) **Remeasurements of Net Defined Benefit Plans:** Differences between the interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised in other comprehensive income and are adjusted to retained earnings.

ii) **Fair value of cash flow hedges through Other Comprehensive Income:** The effective portion of the fair value change of the cash flow hedges measured at fair value through other comprehensive income is recognised in Cash flow hedges through Other Comprehensive Income. Upon derecognition, if the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts accumulated in other comprehensive income are taken to the statement of profit and loss at the same time as the related cash flow.

iii) **Debt Instruments through Other Comprehensive Income:** The fair value change of the debt instruments measured at fair value through other comprehensive income is recognised in Debt instruments through Other Comprehensive Income. Upon derecognition, the cumulative fair value changes on the said instruments are reclassified to the Statement of Profit and Loss.

C. Other Comprehensive Income accumulated in Other Equity, net of tax

The disaggregation of changes in other comprehensive income by each type of reserve in equity is shown below:

	Remeasurements of defined benefit plans	Cash flow hedges through Other Comprehensive Income	Debt instruments through Other Comprehensive Income	Total
As at 31st March, 2018	**(43)**	**-**	**(0)**	**(43)**
Remeasurement gain/(loss) on net defined benefit plans	(7)	-	-	(7)
Gain/(loss) on debt instruments recognised in other comprehensive income	-	-	2	2
Tax on above	3	-	(1)	2
As at 31st March, 2019	**(47)**	**-**	**1**	**(46)**
Transfer to retained earnings	47	-	-	47
Fair Value of cash flow hedges in other comprehensive income	-	(77)	-	(77)
Gain/(loss) on debt instruments recognised in other comprehensive income	-	-	(1)	(1)
Tax on above	-	40	0	40
As at 31st March, 2020	**-**	**(37)**	**-**	**(37)**

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(All amounts in ₹ crores, unless otherwise stated)

D. Capital Management

Equity share capital and other equity are considered for the purpose of Company's capital management.

The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to shareholders. The capital structure of the Company is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence.

The management and the Board of Directors monitor the return on capital as well as the level of dividends to shareholders. The Company may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

NOTE 19 OTHER FINANCIAL LIABILITIES

Refer Note 2.4 (g) and (o) for accounting policy on Financial Instruments and Leases

	As at 31st March, 2020	As at 31st March, 2019
Non-Current		
Security deposits	26	28
Employee and ex-employee related liabilities	183	187
Contingent consideration payable on business combination	93	145
Lease Liabilities	551	-
Total (A)	**853**	**360**
Current		
Unpaid dividends [Refer (a) below]	174	134
Salaries, wages, bonus and other employee payable	188	180
Fair Value of Derivatives	158	15
Contingent consideration payable on business combination	37	31
Other payables (retention money for purchase of PPE, etc.)	88	96
Lease Liabilities	224	-
Total (B)	**869**	**456**
Total (A+B)	**1,722**	**816**

Refer note 37 for information about liquidity risk of other financial liability.

a) There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as 31st March, 2020 (31st March, 2019: Nil).

NOTE 20 PROVISIONS

Refer Note 2.4 (h) for accounting policy on Provisions.

	As at 31st March, 2020	As at 31st March, 2019
Non-Current		
Provision for employee benefits (pension, post medical retirement benefits, etc.) [Refer Note 38]	154	116
Other provisions (including for statutory levies etc.) (net) [Refer (a) below]	1,044	933
Total (A)	**1,198**	**1,049**
Current		
Provision for employee benefits (gratuity and compensated absences)[Refer Note 38]	70	47
Other provisions (including restructuring, etc.) [Refer (a) below]	348	454
Total (B)	**418**	**501**
Total (A+B)	**1,616**	**1,550**

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to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

a) Movement in Other provisions (Non-current and Current)

	Indirect Tax related	Legal and Other Matters	Total
Balance as at 31st March, 2018	**336**	**895**	**1,231**
Add: Provision/reclassified during the year*	159	373	532
Less: Amount utilised/reversed during the year	(10)	(366)	(376)
Balance as at 31st March, 2019	**485**	**902**	**1,387**
Add: Provision/reclassified during the year	145	137	282
Less: Amount utilised/reversed during the year	(72)	(205)	(277)
Balance as at 31st March, 2020	**558**	**834**	**1,392**

* includes impact of discounting.

The provisions for indirect taxes and legal matters comprises of numerous separate cases that arise in the ordinary course of business. These provisions have not been discounted as it is not practicable for the Company to estimate the timing of the provision utilisation and cash outflows, if any, pending resolution.

NOTE 21 TRADE PAYABLES

Refer Note 2.4 (g) for accounting policy on Trade Payables.

	As at 31st March, 2020	As at 31st March, 2019
Total outstanding dues of micro enterprises and small enterprises(as per the intimation received from vendors)		
a) Principal and interest amount remaining unpaid	-	-
b) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
c) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
d) Interest accrued and remaining unpaid	-	-
e) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		
Acceptances	120	46
Trade payables	7,279	7,024
	7,399	**7,070**

Refer note 37 for information about liquidity risk and market risk related to trade payables.

NOTE 22 OTHER CURRENT LIABILITIES

	As at 31st March, 2020	As at 31st March, 2019
Statutory dues (including provident fund, tax deducted at source and others)	264	287
Others (including advance from customers etc.)	154	39
	418	**326**

Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 23 CONTINGENT LIABILITIES AND COMMITMENTS

Refer Note 2.4 (h) for accounting policy on Contingent Liabilities.

	As at 31st March, 2020	As at 31st March, 2019
A. Contingent Liabilities		
Claims against the Company not acknowledged as debts		
Income tax matters	1,029	771
Indirect Tax matters	941	664
Legal and Other Matters	282	283
Corporate Guarantee given	8	8

(i) It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings as it is determinable only on receipt of judgements/decisions pending with various forums/authorities.

(ii) The Company does not expect any reimbursements in respect of the above contingent liabilities.

(iii) The Company's pending litigations comprise of claims against the Company by employees and pertaining to proceedings pending with various direct tax, indirect tax and other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

(iv) The Company has given Bank Guarantees in respect of certain contingent liabilities included above.

B. Commitments

i) Lease commitments

Lease commitments are the future cash out flows from the lease contracts which are not recorded in the measurement of lease liabilities. These include potential future payments related to leases of low value assets and leases with term less than twelve months.

	As at 31st March, 2020
Not later than one year	91
Later than one year and not later than five years	186
Later than five years	1

	As at 31st March, 2020	As at 31st March, 2019
ii) Capital commitments		
Estimated value of contracts in capital account remaining to be executed and not provided for (net of capital advances)	271	217
	271	**217**

NOTE 24 REVENUE FROM OPERATIONS

Refer Note 2.4 (i) for accounting policy on Revenue Recognition.

	Year ended 31st March, 2020	Year ended 31st March, 2019
Sale of products	38,273	37,660
Other operating revenue		
Income from services rendered	255	300
Others (including Government grant, scrap sales, etc.)	257	264
	38,785	**38,224**

Total Government grant recognised ₹ 171 crores (31st March, 2019: ₹ 173 crores) (Refer note 2.4 (j) for accounting policy on Government grant).

Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

Reconciliation of Revenue from sale of products with the contracted price

	Year ended 31st March, 2020	Year ended 31st March, 2019
Contracted Price	44,197	42,903
Less: Trade discounts, volume rebates, etc.	(5,924)	(5,243)
Sale of products	**38,273**	**37,660**

NOTE 25 OTHER INCOME

Refer Note 2.4 (i) for accounting policy on Revenue Recognition.

	Year ended 31st March, 2020	Year ended 31st March, 2019
Interest income on		
Bank deposits	281	232
Current investments	39	70
Others (including interest on Income tax refunds)	180	95
Dividend income from		
Subsidiaries	95	102
Non-current investments	1	1
Fair value gain/(loss)		
Investments measured at fair value through profit or loss*	137	164
	733	**664**

*Includes realised gain on sale of investment of ₹ 65 crores (31st March 2019 : ₹ 84 crores)

NOTE 26 COST OF MATERIALS CONSUMED

	Year ended 31st March, 2020	Year ended 31st March, 2019
Raw materials consumed	9,036	10,722
Packing materials consumed	2,536	2,518
	11,572	**13,240**

NOTE 27 PURCHASES OF STOCK-IN-TRADE

	Year ended 31st March, 2020	Year ended 31st March, 2019
Purchases of stock-in-trade	6,342	4,708
	6,342	**4,708**

NOTE 28 CHANGES IN INVENTORIES OF FINISHED GOODS (INCLUDING STOCK-IN-TRADE) AND WORK-IN-PROGRESS

	Year ended 31st March, 2020	Year ended 31st March, 2019
Opening inventories		
Finished goods	1,206	1,221
Work-in-progress	252	249
Closing inventories		
Finished goods	(1,325)	(1,206)
Work-in-progress	(254)	(252)
	(121)	**12**

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to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 29 EMPLOYEE BENEFITS EXPENSES

Refer Note 2.4 (l) for accounting policy on Employee Benefits.

	Year ended 31st March, 2020	Year ended 31st March, 2019
Salaries and wages, bonus etc.	1,431	1,442
Contribution to provident funds and other funds	116	105
Defined benefit plan expense (Refer Note 38)	32	28
Share based payments to employees (Refer note 39)	45	93
Workmen and staff welfare expenses	67	79
	1,691	1,747

NOTE 30 FINANCE COSTS

Refer Note 2.4 (o) for accounting policy on Leases

	Year ended 31st March, 2020	Year ended 31st March, 2019
Interest expense on bank overdraft and others	0	0
Net interest on the net defined benefit liability (Refer Note 38)	9	11
Unwinding of discount on provisions and liabilities	10	9
Unwinding of discount on employee and ex-employee related liabilities	6	5
Interest on lease liabilities	74	-
Others (including interest on taxes)	7	3
	106	28

NOTE 31 DEPRECIATION AND AMORTISATION EXPENSES

Refer Note 2.4 (a), (b) and (o) for accounting policy on Property, Plant and Equipment, Intangible assets and Leases

	Year ended 31st March, 2020	Year ended 31st March, 2019
Depreciation on property, plant and equipment (owned assets)	568	510
Depreciation on property, plant and equipment (leased assets)	355	-
Amortisation on intangible assets	15	14
	938	524

NOTE 32 OTHER EXPENSES

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Advertising and promotion		4,686		4,552
Carriage and freight		1,460		1,547
Royalty				
- Technology	535		524	
- Brand	156	691	159	683
Fees for central services from Parent Company		380		374
Processing charges *		182		372
Power, fuel, light and water		263		269
Rent *		107		292
Travelling and motor car expenses		157		158
Repairs		142		128
Rates & taxes (excluding income tax)		38		35
Corporate social responsibility expense [Refer note (b) below]		144		126
Miscellaneous expenses [Refer note (a) below]		1,451		1,344
		9,701		9,880

* Includes impact of Ind AS 116 - Leases. Refer Note 2.4 (o) for accounting policy on Leases.

Notes
to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

	Year ended 31st March, 2020	Year ended 31st March, 2019
(a) Miscellaneous expenses include:		
Auditor's remuneration and expenses		
Statutory audit fees	2	1
Tax audit fees	1	1
Others		
Fees for other audit related services	0	1
Fees for certification	1	1
Reimbursement of out-of-pocket expenses	0	0
Total	4	4

(b) The Company has spent ₹ 144 crores (2018-19: ₹ 126 crores) towards various schemes of Corporate Social Responsibility as prescribed under Section 135 of the Companies Act, 2013. The details are:

I. Gross amount required to be spent by the Company during the year: ₹ 142 crores (2018-19: ₹ 124 crores).

II. Amount spent during the year on:

	Year ended 31st March, 2020		Year ended 31st March, 2019	
	In cash	Yet to be paid in Cash	In cash	Yet to be paid in Cash
i) Construction/acquisition of any asset	-	-	-	-
ii) For purposes other than (i) above	144	-	126	-
Total	144	-	126	-

III. Above includes a contribution of ₹ 28 crores (2018-19: ₹ 8 crores) to subsidiary Hindustan Unilever Foundation which is a Section 8 registered Company under Companies Act, 2013, with the main objectives of working in the areas of social, economic and environmental issues such as water harvesting, health and hygiene awareness, women empowerment and enable the less privileged segments of the society to improve their livelihood by enhancing their means and capabilities to meet the emerging opportunities.

IV. The Company does not carry any provisions for Corporate social responsibility expenses for current year and previous year.

NOTE 33 EXCEPTIONAL ITEMS (NET)

	Year ended 31st March, 2020	Year ended 31st March, 2019
i) Profit on disposal of surplus properties	46	-
ii) Fair valuation of contingent consideration payable (refer note 40)	26	-
Total exceptional income (A)	72	-
i) Fair valuation of contingent consideration payable (refer note 40)	-	(57)
ii) Acquisition and disposal related cost	(132)	(30)
iii) Restructuring and other costs	(137)	(140)
Total exceptional expenditure (B)	(269)	(227)
Exceptional items (net) (A+B)	(197)	(227)

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to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 34 EARNINGS PER EQUITY SHARE

Refer Note 2.4 (q) for accounting policy on Earnings Per Share.

	Year ended 31st March, 2020	Year ended 31st March, 2019
Earnings Per Share has been computed as under:		
Profit for the year	6,738	6,036
Weighted average number of equity shares outstanding	2,16,47,95,829	2,16,46,29,982
Earnings Per Share (₹) - Basic (Face value of ₹ 1 per share)	₹ 31.13	₹ 27.89
Add: Weighted average number of potential equity shares on account of employee stock options/ performance share schemes	1,96,123	3,59,472
Weighted average number of Equity shares (including dilutive shares) outstanding	2,16,49,91,952	2,16,49,89,454
Earnings Per Share (₹) - Diluted (Face value of ₹ 1 per share)	₹ 31.12	₹ 27.88

NOTE 35 DIVIDEND ON EQUITY SHARE

	Year ended 31st March, 2020	Year ended 31st March, 2019
Dividend on equity shares declared and paid during the year		
Final dividend of ₹ 13.00 per share for FY 2018-19 (2017-18: ₹ 12.00 per share)	2,814	2,598
Dividend distribution tax on final dividend*	578	534
Interim dividend of ₹ 11.00 per share for FY 2019-20 (2018-19: ₹ 9.00 per share)	2,382	1,948
Dividend distribution tax on interim dividend*	470	379
	6,244	5,459
Proposed dividend on equity shares not recognised as liability		
Final dividend of ₹ 14.00 per share for FY 2019-20 (2018-19: ₹ 13.00 per share)	3,289	2,814
Dividend distribution tax on final dividend	-	578
	3,289	3,392
Payout ratio for FY 2019-20	91%	

Proposed dividend on equity shares is subject to the approval of the shareholders of the Company at the Annual General Meeting and not recognised as liability as at the Balance Sheet date.

*Dividend Distribution Tax (DDT) – net comprises credit in respect of tax paid under Section 115 O of the Income-tax Act, 1961 by the Company on dividend received from its subsidiaries.

NOTE 36 FINANCIAL INSTRUMENTS

Refer Note 2.4 (g) for accounting policy on Financial Instruments.

A. Accounting Classifications and Fair Values

The carrying amounts and fair values of financial instruments by class are as follows:

	Note	Carrying value/ Fair value: As at 31st March, 2020	Carrying value/ Fair value: As at 31st March, 2019
Financial Assets			
Financial assets measured at fair value			
Investments measured at			
i. Fair value through other comprehensive income	6	-	880
ii. Fair value through profit and loss	6	1,250	1,815
Fair Value of Derivatives	8	104	1
Financial assets measured at amortised cost			
Investments in subsidiaries, associates and joint venture	5	250	254
Investments	6	0	0
Loans	7	453	396
Investments in term deposits	8,14	2,296	2,963
Other assets	8	661	504
		5,014	6,813
Financial Liabilities			
Financial liabilities measured at fair value			
Fair Value of Derivatives	19	158	15
Contingent consideration payable on Business Combination	19	130	176
Lease Liabilities	19	775	-
Employee Liabilities	19	371	367
Financial liabilities measured at amortised cost			
Security deposits	19	26	28
Other payables	19	88	96
		1,548	682

The Company has disclosed financial instruments such as cash and cash equivalents, other bank balances, trade receivables, current account balances with group companies, trade payables and unpaid dividends at carrying value because their carrying amounts are a reasonable approximation of the fair values due to their short-term nature.

B. Income, Expenses, Gains or Losses on Financial Instruments

Interest income and expenses, gains or losses recognised on financial assets and liabilities in the Statement of Profit and Loss are as follows:

	Note	Year ended 31st March, 2020	Year ended 31st March, 2019
Financial assets measured at amortised cost			
Interest income	25	298	253
Dividend Income	25	95	102
Allowance for expected credit loss and credit impairment	12	6	0
Financial assets measured at fair value through other comprehensive income			
Investment in debt instruments			
Interest income	25	39	70
Fair value gain/(loss) recognised in other comprehensive income	18C	(1)	2
Financial assets measured at fair value through profit or loss			
Fair value gain/(loss) on investment in debt instruments	25	137	164
Dividend income on Non-current investment	25	1	1
Financial liabilities measured at amortised cost			
Interest expense	30	0	0
Financial liabilities measured at fair value			
Interest on lease liabilities	30	74	-
Interest expense other than on lease liabilities	30	16	14
Derivatives - foreign exchange forward contracts and cash flow hedges			
Fair value gain/(loss)	32	36	(18)

Notes

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(All amounts in ₹ crores, unless otherwise stated)

C. Fair Value Hierarchy

The fair value of financial instruments as referred to in note (A) above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The categories used are as follows:

- Level 1: Quoted prices for identical instruments in an active market;
- Level 2: Directly or indirectly observable market inputs, other than Level 1 inputs; and
- Level 3: Inputs which are not based on observable market data.

For assets and liabilities which are measured at fair value as at Balance Sheet date, the classification of fair value calculations by category is summarised below:

	Level 1	Level 2	Level 3	Total
As at 31st March, 2020				
Assets at fair value				
Investments measured at:				
i. Fair Value through OCI	-	-	-	-
ii. Fair Value through Profit or Loss	1,248	-	2	1,250
Fair Value of Derivatives	-	104	-	104
Liabilities at fair value				
Fair Value of Derivatives	-	158	-	158
Lease Liabilities	-	-	775	775
Employee Liabilities	-	-	371	371
Contingent consideration payable on Business Combination	-	-	130	130
As at 31st March, 2019				
Assets at fair value				
Investments measured at:				
i. Fair Value through OCI	880	-	-	880
ii. Fair Value through Profit or Loss	1,813	-	2	1,815
Fair Value of Derivatives	-	1	-	1
Liabilities at fair value				
Fair Value of Derivatives	-	15	-	15
Employee Liabilities	-	-	367	367
Contingent consideration payable on Business Combination	-	-	176	176

Calculation of Fair Values

The fair values of the financial assets and liabilities are defined as the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used for the year ended 31st March, 2019.

Financial assets and liabilities measured at fair value as at Balance Sheet date:

1. The fair values of investment in treasury bills and quoted investment in equity shares is based on the current bid price of respective investment as at the Balance Sheet date.
2. The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.
3. The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The models incorporate various inputs including the credit quality of counter-parties, foreign exchange forward rates and commodity prices.

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Other financial assets and liabilities

- Cash and cash equivalents, trade receivables, investments in term deposits, other financial assets (except derivative financial instruments), trade payables, and other financial liabilities (except derivative financial instruments) have fair values that approximate to their carrying amounts due to their short-term nature.

- Loans have fair values that approximate to their carrying amounts as it is based on the net present value of the anticipated future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. - Investments in subsidiaries, associates and joint venture have fair values that approximate to their carrying amounts

Significant Unobservable Inputs Used In Level 3 Fair Values

a) Lease liabilities and Employee liabilities

Lease liabilities and Employee liabilities are valued using Level 3 techniques. A change in one or more of the inputs to reasonably possible alternative assumptions would not change the value significantly.

b) Contingent Consideration

As at 31st March, 2020	Significant unobservable inputs	Sensitivity of input to fair value measurement
Contingent consideration	Forecast revenue:	10% increase in forecasted revenue per year will have additional liability of ₹ 16 crores and 10% decrease will have reduction in liability of ₹ 20 crores.
	Discount rate: 6.9%	1% increase in Discount rate will have reduction in liability of ₹ 2 crores and 1% decrease will have increase in liability of ₹ 2 crores.

As at 31st March, 2019	Significant unobservable inputs	Sensitivity of input to fair value measurement
Contingent consideration	Forecast revenue:	10% increase in forecasted revenue per year will have additional liability of ₹ 21 crores and 10% decrease will have reduction in liability of ₹ 19 crores.
	Discount rate: 8.4%	1% increase in Discount rate will have reduction in liability of ₹ 3 crores and 1% decrease will have increase in liability of ₹ 3 crores.

NOTE 37 FINANCIAL RISK MANAGEMENT

The Company's business activities are exposed to a variety of financial risks, namely liquidity risk, market risk, credit risk and commodity risk. The Company's senior management has the overall responsibility for establishing and governing the Company's risk management framework. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set and monitor appropriate risk limits and controls, periodically review the changes in market conditions and reflect the changes in the policy accordingly. The key risks and mitigating actions are also placed before the Audit Committee of the Company.

A. Management of Liquidity Risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended 31st March, 2020 and 31st March, 2019. Cash flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis.

The Company regularly monitors the rolling forecasts to ensure it has sufficient cash on an on-going basis to meet operational needs. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits and other highly marketable debt investments with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities.

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(All amounts in ₹ crores, unless otherwise stated)

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows along with its carrying value as at the Balance Sheet date.

	Note	Carrying amount	Undiscounted Amount		
			Payable within 1 year	More than 1 years	Total
As at 31st March, 2020					
Non-derivative liabilities					
Trade payables (including acceptances)	21	7,399	7,399	-	7,399
Employee liabilities	19	371	188	195	383
Security deposits	19	26	-	26	26
Unpaid dividend	19	174	174	-	174
Other Payables	19	88	88	-	88
Contingent consideration	19	130	37	105	142
Lease Liabilities	19	775	224	653	877
Derivative liabilities					
Fair Value of Derivatives	19	158	158	-	158
As at 31st March, 2019					
Non-derivative liabilities					
Trade payables (including acceptances)	21	7,070	7,070	-	7,070
Employee liabilities	19	367	180	198	378
Security deposits	19	28	-	28	28
Unpaid dividend	19	134	134	-	134
Other Payables	19	96	96	-	96
Contingent consideration	19	176	31	176	207
Derivative liabilities					
Fair Value of Derivatives	19	15	15	-	15

B. Management of Market Risk

The Company's size and operations result in it being exposed to the following market risks that arise from its use of financial instruments:

- currency risk;
- price risk;
- interest rate risk; and
- commodity risk

The above risks may affect the Company's income and expenses, or the value of its financial instruments. The Company's exposure to and management of these risks are explained below.

Potential Impact of Risk	Management Policy	Sensitivity to Risk
1. Currency Risk		
The Company is subject to the risk that changes in foreign currency values impact the Company's exports revenue and imports of raw material and property, plant and equipment. As at 31st March, 2020, the unhedged exposure to the Company on holding financial assets (trade receivables) and liabilities (trade payables) other than in their functional currency amounted to ₹ 5 crores payable (net) [31st March, 2019: ₹ 11 crores]	The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and Euro. The Company manages currency exposures through use of forward exchange contracts. Foreign exchange transactions are covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time. The aim of the Company's approach to management of currency risk is to leave the Company with no material residual risk.	A 5% strengthening of the INR against key currencies to which the Company is exposed (net of hedge) would have led to approximately an additional ₹ 0 crore gain in the Statement of Profit and Loss (2018-19: ₹ 1 crore gain). A 5% weakening of the INR against these currencies would have led to an equal but opposite effect.

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(All amounts in ₹ crores, unless otherwise stated)

Potential Impact of Risk	Management Policy	Sensitivity to Risk
2. Price Risk		
The Company is mainly exposed to the price risk due to its investment in debt mutual funds. The price risk arises due to uncertainties about the future market values of these investments. At 31st March, 2020, the investments in debt mutual funds amounts to ₹ 1,248 crores (31st March, 2019: ₹ 1,813 crores). These are exposed to price risk	The Company has laid policies and guidelines which it adheres to in order to minimise price risk arising from investments in debt mutual funds.	A 1% increase in prices would have led to approximately an additional ₹ 12 crores gain in the Statement of Profit and Loss (2018-19: ₹ 18 crores gain). A 1% decrease in prices would have led to an equal but opposite effect.
3. Interest Rate Risk		
The Company is mainly exposed to the interest rate risk due to its investment in treasury bills. The interest rate risk arises due to uncertainties about the future market interest rate on these investments. In addition to treasury bills, the Company invests in term deposits. Considering the short-term nature, there is no significant interest rate risk pertaining to these deposits. As at 31st March, 2020, the investments in treasury bill amounts to Nil (31st March, 2019: ₹ 880 crores). These are exposed to interest rate risk.	The Company has laid policies and guidelines including tenure of investment made to minimise impact of interest rate risk	A 0.25% decrease in interest rates would have led to approximately Nil amount in the Statement of Profit and Loss (2018-19: ₹ 1 crore gain). A 0.25% increase in interest rates would have led to an equal but opposite effect.
4. Commodity Risk		
The Company is exposed to the risk of changes in commodity prices in relation to its purchase of certain raw materials. At 31st March, 2020, the Company had hedged its exposure to future commodity purchases with commodity derivatives valued at ₹ 32 crores (31st March, 2019: Nil). Hedges of future commodity purchases resulted in cumulative losses of ₹ 12 crores (31st March, 2019: Nil) being reclassified to the income statement as an adjustment to inventory purchase.	Commodities form a major part of the raw materials required for Company's products portfolio and hence commodity price risk is one of the important market risk for the Company. The commodities are priced using pricing benchmarks and commodity derivatives are priced using exchange-traded pricing benchmarks. The Company has a robust framework and governance mechanism in place to ensure that the organisation is adequately protected from the market volatility in terms of price and availability. The Company uses commodity swaps and option contracts to hedge against components of commodities where it is not possible to hedge the commodity in full.	A 10% increase in prices of open trades would have led to approximately ₹ 21 crores gain in OCI (2018-19: Nil). A 10% decrease in prices would have led to an equal but opposite effect.

C. Management Of Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations.

Trade receivables

Concentration of credit risk with respect to trade receivables are limited, due to the Company's customer base being large and diverse. All trade receivables are reviewed and assessed for default on a quarterly basis.

Our historical experience of collecting receivables indicate a low credit risk. Hence, trade receivables are considered to be a single class of financial assets.

Refer note 2.4(g) for accounting policy on Financial Instruments.

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

Other financial assets

The Company maintains exposure in cash and cash equivalents, term deposits with banks, investments in treasury bills, Government securities, money market liquid mutual funds and derivative instrument with financial institutions. The Company has set counter-party limits based on multiple factors including financial position, credit rating, etc. The Company has given inter-corporate deposits (ICD) only to its subsidiaries amounting ₹ 226 crores (31st March, 2019: ₹ 191 crores).

The Company's maximum exposure to credit risk as at 31st March, 2020 and 31st March, 2019 is the carrying value of each class of financial assets.

NOTE 38 DEFINED BENEFIT PLANS

Refer note 2.4(l) for accounting policy on Employee Benefits.

Description of Plans

Retirement Benefit Plans of the Company include Gratuity, Management Pension, Officer's Pension and Provident Fund. Other post-employment benefit plans includes post retirement medical benefits.

Gratuity is funded through investments with an insurance service provider. Pension (Management Pension and Officer's Pension) for most employees is managed through a trust, investments with an insurance service provider and for some employees investments are managed through Company managed trust. Provident Fund for most of the employees are managed through trust investments and for some employees through Government administered fund. Post-retirement medical benefits are managed through investment made under Company managed trust.

Governance

The trustees of the trust fund are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and rules in the best interests of the plan participants. They are tasked with periodic reviews of the solvency of the fund and play a role in the long-term investment, risk management and funding strategy.

Investment Strategy

The Company's investment strategy in respect of its funded plans is implemented within the framework of the applicable statutory requirements. The plans expose the Company to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and inflation risk. The Company has developed policy guidelines for the allocation of assets to different classes with the objective of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost to the Company of the benefits provided. To achieve this, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A. Balance Sheet

The assets, liabilities and surplus/(deficit) position of the defined benefit plans at the Balance Sheet date were:

	Retirement Benefit Plans		Other Post-Employment Benefit Plans	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
Present Value of Obligation	2,830	2,664	196	157
Fair Value of Plan Assets	(2,768)	(2,613)	(71)	(81)
(Asset)/Liability recognised in the Balance Sheet	**62**	**51**	**125**	**76**
Of which in respect of:				
Funded plans in surplus:				
Present Value of Obligation	12	11	-	-
Fair Value of Plan Assets	(26)	(33)	-	-
(Asset)/Liability recognised in the Balance Sheet*	-*	-*	-	-
*The excess of assets over liabilities in respect of Officer's Pension have not been recognised as they are lying in an Income Tax approved irrevocable trust fund.				
Funded plans in deficit:				
Present Value of Obligation	2,818	2,653	196	157
Fair Value of Plan Assets	(2,756)	(2,602)	(71)	(81)
(Asset)/Liability recognised in the Balance Sheet	**62**	**51**	**125**	**76**

B. Movements in Present Value of Obligation and Fair Value of Plan Assets

	Retirement Benefit Plans			Other Post-Employment Benefit Plans		
	Plan Assets	Plan Obligation	Total	Plan Assets	Plan Obligation	Total
As at 31st March, 2018	2,508	2,582	74	88	158	70
Current service cost	-	121	121	-	0	0
Past service cost	-	-	-	-	-	-
Employee contributions	-	168	168	-	-	-
Interest cost	-	201	201	-	12	12
Interest income	198	-	(198)	6	-	(6)
Actuarial (gain)/loss arising from changes in demographic assumptions	-	(5)	(5)	-	(3)	(3)
Actuarial (gain)/loss arising from changes in financial assumptions	-	9	9	(1)	6	7
Actuarial (gain)/loss arising from experience adjustments	-	3	3	-	(4)	(4)
Employer contributions	175	-	(175)	-	-	-
Employee contributions	168	-	(168)	-	-	-
Assets acquired/(settled)	(60)	(60)	-	-	-	-
Benefit payments	(354)	(354)	-	(12)	(12)	-
As at 31st March, 2019	**2,635**	**2,665**	**30**	**81**	**157**	**76**

	Retirement Benefit Plans			Other Post-Employment Benefit Plans		
	Plan Assets	Plan Obligation	Total	Plan Assets	Plan Obligation	Total
As at 31st March, 2019	2,635	2,665	30	81	157	76
Current service cost	-	112	112	-	0	0
Past service cost	-	5	5	-	-	-
Employee contributions	-	188	188		-	-
Interest cost	-	202	202	-	12	12
Interest income	199	-	(199)	6	-	(6)
Actuarial (gain)/loss arising from changes in demographic assumptions	-	-	-		-	-
Actuarial (gain)/loss arising from changes in financial assumptions	20	30	10	(2)	19	21
Actuarial (gain)/loss arising from experience adjustments	-	15	15	-	22	22
Employer contributions	126	-	(126)	-	-	-
Employee contributions	188	-	(188)	-	-	-
Assets acquired/ (settled)	(51)	(51)	-	-	-	-
Benefit payments	(336)	(336)	-	(14)	(14)	-
As at 31st March, 2020	**2,781**	**2,830**	**49**	**71**	**196**	**125**

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(All amounts in ₹ crores, unless otherwise stated)

C. Statement of Profit and Loss

The charge to the Statement of Profit and Loss comprises:

	Retirement Benefit Plans		Other Post-Employment Benefit Plans	
	Year ended 31st March, 2020	Year ended 31st March, 2019	Year ended 31st March, 2020	Year ended 31st March, 2019
Employee Benefit Expenses *:				
Current service cost	28	28	0	0
Past service cost	4	-	-	-
Finance costs *:				
Interest cost	51	53	12	12
Interest income	(48)	(48)	(6)	(6)
Net impact on profit (before tax)	**35**	**33**	**6**	**6**
Remeasurement of the net defined benefit plans:				
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(4)	-	(3)
Actuarial gains/(losses) arising from changes in financial assumptions	31	9	21	6
Actuarial gains/(losses) arising from experience adjustments	(6)	3	22	(4)
Net impact on other comprehensive income (before tax)	**25**	**8**	**43**	**(1)**

* Service cost and Finance cost has not been recognised in the statement of profit and loss for Officer's Pension and Provident Fund.

D. Assets

The fair value of plan assets at the Balance Sheet date for our defined benefit plans for each category are as follows:

	Retirement Benefit Plans		Other Post-Employment Benefit Plans	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
Quoted				
Government Debt Instruments	1,157	1,073	-	-
Other Debt Instruments	596	858	71	81
Equity	118	-	-	-
Total (A)	**1,871**	**1,931**	**71**	**81**
Unquoted				
Other Debt Instruments	490	201	-	-
Others	420	503	-	-
Total (B)	**910**	**704**	**-**	**-**
Total (A+B)	**2,781**	**2,635**	**71**	**81**

Note: Assets to the extent of ₹ 26 crores is not recognised in Balance Sheet of Officer's Pension Fund as they are lying in an Income Tax approved irrevocable trust fund.

None of the plans invest directly in any property occupied by the Company or any financial securities issued by the Company.

E. Assumptions

With the objective of presenting the plan assets and plan obligations of the defined benefits plans at their fair value on the Balance Sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

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(All amounts in ₹ crores, unless otherwise stated)

Financial Assumptions	Retirement Benefit Plans As at 31st March, 2020	Retirement Benefit Plans As at 31st March, 2019	Other Post-Employment Benefit Plans As at 31st March, 2020	Other Post-Employment Benefit Plans As at 31st March, 2019
Discount rate (per annum)	6.7%	7.7%	6.7%	7.7%
Salary Escalation Rate (per annum)				
Management employees- for first 5 years	8.0%	8.0%		
Management employees- after 5 years	8.0%	8.0%		
Non-management Employees	8.0%	8.0%		
Pension Increase Rate (per annum)*	2.5%	2.5%		
Annual increase in healthcare costs (per annum)			9.0%	9.0%

*For management pension only.

The estimates of future salary increases, considered in actuarial valuation, takes into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Demographic Assumptions

Mortality in Service: Indian Assured Lives Mortality (2012-14) Ultimate table

Mortality in Retirement : LIC Buy-out Annuity Rates & UK Published the S1PA Mortality table adjusted for Indian Lives.

F. Sensitivity Analysis

The sensitivity of the overall plan obligations to changes in the weighted key assumptions are:

		Retirement Benefit Plans		Other Post-Employment Benefit Plans	
		Change in assumption (%)	Change in plan obligation (%)	Change in assumption (%)	Change in plan obligation (%)
Discount rate (per annum)	Increase	0.50%	-2.24%	0.50%	-4.9%
	Decrease	0.50%	2.39%	0.50%	5.4%
Salary escalation rate (per annum)	Increase	0.25%	1.39%	-	-
	Decrease	0.25%	-1.37%	-	-
Pension rate	Increase	0.25%	3.31%	-	-
	Decrease	0.25%	-3.23%	-	-
Life expectancy	Increase	1 year	2.7%	1 year	5.2%
	Decrease	1 year	-2.7%	1 year	-5.1%
Annual increase in healthcare costs (per annum)	Increase	-	-	1.00%	11.0%
	Decrease	-	-	1.00%	-9.4%

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the Balance Sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

G. Weighted average duration and expected employers contribution for the next year for each of the defined benefit plan

	Weighted average duration (yrs.) Year ended 31st March, 2020	Weighted average duration (yrs.) Year ended 31st March, 2019	Expected Employers contribution for the next year
Gratuity	7.4	6.9	49
Management Pension	6.0	6.2	0
Officer's Pension	3.2	3.5	-
Provident Fund	8.7	8.0	90
Post-retirement medical benefits	10.3	9.8	-

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NOTE 39 SHARE BASED PAYMENTS

Refer note 2.4(l) for accounting policy on Share Based Payments.

Equity Settled Share Based Payments

The members of the Company had approved '2001 HLL Stock Option Plan' at the Annual General Meeting held on 22nd June, 2001. The plan envisaged grant of share options to eligible employees at market price as defined in Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

This plan was amended and revised vide '2006 HLL Performance Share Scheme' at the Annual General Meeting held on 29th May, 2006. This scheme provided for conditional grant of Performance Shares at nominal value to eligible management employees as determined by the Compensation Committee of the Board of Directors from time to time, at the end of 3-year performance period. The performance measures under this scheme include group underlying sales growth and free cash flow. The scheme also provided for 'Par' Awards for the managers at different work levels.

The 2006 scheme was further amended and revised vide '2012 HUL Performance Share Scheme' at the Annual General Meeting held on 23rd July, 2012. This scheme provided for conditional grant of Performance Shares at nominal value to eligible management employees as determined by the Nomination and Remuneration Committee of the Board of Directors from time to time, at the end of 3-year performance period. The performance measures under this scheme include group underlying sales growth, underlying operating margin, and cumulative operating cash flow

The number of shares allocated for allotment under the 2006 and 2012 Performance Share Schemes is 2,00,00,000 (two crores) equity shares of ₹ 1/- each. The schemes are monitored and supervised by the Nomination and Remuneration Committee of the Board of Directors in compliance with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and amendments thereof from time to time.

The Employee Stock Option Plan includes employees of Hindustan Unilever Limited, its subsidiaries and a subsidiary of parent company.

Scheme	Year	Date of Grant	Numbers of options granted	Vesting Conditions	Exercise Period	Exercise Price (₹) per share	Weighted Average Exercise Price (₹) per share
2001 HLL Stock Option Plan	2005	27-May-05	15,47,700	Vested after three years from date of grant	7 years from date of vesting	132.05	132.05
2006 HLL Performance Share Scheme	2012	17-Feb-12	4,20,080	Vested after three years from date of grant	3 months from date of vesting	1.00	1.00
	Interim 2012	30-Jul-12	51,385			1.00	1.00
2012 HUL Performance Share Scheme	2013	18-Mar-13	3,68,023	Vested after three years from date of grant	3 months from date of vesting	1.00	1.00
	Interim 2013	29-Jul-13	25,418			1.00	1.00
	2014	14-Feb-14	2,62,155			1.00	1.00
	Interim 2014	28-Jul-14	16,805			1.00	1.00
	2015	13-Feb-15	1,42,038			1.00	1.00
	Interim 2015	27-Jul-15	12,322			1.00	1.00
	2016	11-Feb-16	1,57,193			1.00	1.00
	Interim 2016	25-Jul-16	11,834			1.00	1.00
	2017	13-Feb-17	1,23,887			1.00	1.00
	Interim 2017	21-Jul-17	6,846			1.00	1.00
	2018	16-Feb-18	63,421			1.00	1.00
	Interim 2018	27-Jul-18	4,650			1.00	1.00

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Scheme	Year	Number of Share Options: Outstanding at the beginning of the year	Granted during the year*	Forfeited/ Expired during the year	Exercised during the year	Exercisable at the end of the year	Outstanding at the end of the year
2012 HUL Performance Share Scheme	2015	-	-	-	-	-	-
		(1,05,029)	-	-	(1,05,029)	-	-
	Interim 2015	-	-	-	-	-	-
		(11,058)	(4,079)	-	(15,137)	-	-
	2016	93,008	4,659	1,035	96,632	-	-
		(1,37,033)	(18,350)	(6,913)	(55,462)	-	(93,008)
	Interim 2016	10,442	1,691	1,113	11,020	-	-
		(10,999)	-	(557)	-	-	(10,442)
	2017	1,11,880	7,434	5,141	32,130	-	82,043
		(1,19,220)	-	(7,340)	-	-	(1,11,880)
	Interim 2017	6,016	-	415	-	-	5,601
		(6,431)	-	(415)	-	-	(6,016)
	2018	59,053	-	3,582	-	-	55,471
		(63,421)	-	(4,368)	-	-	(59,053)
	Interim 2018	4,650	-	-	-	-	4,650
		-	(4,650)	-	-	-	(4,650)

* Granted during the year includes additional shares granted upon meeting the vesting conditions.

(Figures in bracket pertain to FY 2018-19)

Weighted average equity share price at the date of exercise of options during the year was ₹ 1,833 (2018-19: ₹ 1,626).

Weighted average remaining contractual life of options as at 31st March, 2020 was 0.4 years (31st March, 2019: 0.8 years).

The value of the underlying shares of previous year has been determined by an independent valuer. The following assumptions were used for calculation of fair value of grants in accordance with Black Scholes model:

	Year ended 31st March, 2020	Year ended 31st March, 2019
Risk-free interest rate (%)	-	7.6%
Expected life of options (years) [(year to vesting) + (contractual option term)/2]	-	3.125
Expected volatility (%)	-	19.3%
Dividend yield	-	1.2%

The risk free interest rates are determined based on the zero-coupon sovereign bond yields with maturity equal to the expected term of the option. Volatility calculation is based on historical stock prices using standard deviation of daily change in stock price. The historical period is taken into account to match the expected life of the option. Dividend yield has been calculated taking into account expected rate of dividend on equity share price as on grant date.

Cash Settled Share Based Payments

The employees of the Company are eligible for Unilever PLC (the 'Holding Company') share awards namely, the Management Co-Investment Plan (MCIP), the Global Performance Share Plan (GPSP) and the SHARES Plan. The MCIP allows eligible employees to invest up to 100% of their annual bonus in the shares of the Holding Company and to receive a corresponding award of performance-related shares. Under GPSP, eligible employees receive annual awards of the Holding Company's shares. The awards under MCIP and GPSP plans will vest after 3-4 years between 0% and 150% of grant level, depending on the achievement of the performance metrics. The performance metrics of GPSP are underlying sales growth, underlying operating margin, and cumulative operating cash flow. The performance metrics

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of MCIP are underlying sales growth, underlying EPS growth, return on invested capital and sustainability progress index. Under the SHARES Plan, eligible employees can invest upto ₹ 16,897 per month in the shares of the Holding Company and after three years one share is granted free of cost to the employees for every three shares invested, provided they hold the shares bought for three years. The Holding Company charges the Company for the grant of shares to the Company's employees at the end of the 3/4 years based on the market value of the shares on the exercise date. The Company recognises the fair value of the liability and expense for these plans over the vesting period based on the management's estimate of the vesting and forfeiture conditions.

The Company grants share appreciation rights (SARs) to eligible employees for all cash settled share based plans mentioned above that entitles them to a cash/shares after three or four years of service. The amount of payment is also determined basis increase in the share price of the Holding Company between grant date and the time of exercise.

	As at 31st March, 2020	As at 31st March, 2019
Other non-current financial liabilities	73	95
Other current financial liabilities	78	74
Total carrying amount of liabilities	**151**	**169**

Effect of share based payment transactions on the Statement of Profit and Loss:

	As at 31st March, 2020	As at 31st March, 2019
Equity settled share based payments	2	10
Cash settled share based payments	43	83
Total expense on share based payments	**45**	**93**

NOTE 40 BUSINESS COMBINATION

Refer note 2.4(r) for accounting policy on Business Combination.

Acquisition of Indulekha Brand

On April 7, 2016, the Company completed the acquisition of the flagship brand 'Indulekha' from Mosons Extractions Private Limited ('MEPL') and Mosons Enterprises (collectively referred to as 'Mosons' and acquisition of the specified intangible assets referred to as the 'Business acquisition'). The deal envisaged the acquisition of the trademarks 'Indulekha' and 'Vayodha', intellectual property, design and knowhow for a total cash consideration of ₹ 330 crores and a deferred consideration of 10% of the domestic turnover of the brands each year, payable annually for a 5 year period commencing financial year 2018-19.

Basis the projection of the domestic turnover of the brand, the contingent consideration is subject to revision on a yearly basis. As at 31st March, 2019, the fair value of the contingent consideration was ₹ 157 crores which was classified as other financial liability.

Deferred contingent consideration

Based on actual performance in financial year 2019-20 and current view of future projections for the brand, the Company has reviewed and fair valued the deferred contingent consideration so payable. As at 31st March, 2020, the fair value of the contingent consideration is ₹ 119 crores which is classified as other financial liability.

The determination of the fair value as at Balance Sheet date is based on discounted cash flow method. The key input used in determining the fair value of deferred contingent consideration were domestic turnover projection of the brand.

Acquisition of Aditya Milk Brand

On 26th September, 2018, the Company completed the acquisition of the brand 'Aditya Milk' and its front-end distribution network from Vijaykant Dairy and Food Products Limited (VDFPL). The deal comprised the acquisition of the brand 'Aditya Milk', customer relationship, technical know-how, Property, Plant and Equipment, working capital and other intangible assets for a total consideration of ₹ 65 crores and a deferred contingent consideration of ₹ 18 crores.

Basis the future projections of the performance of the brand, the contingent consideration is subject to revision on a yearly basis. As at 31st March, 2019, the fair value of the contingent consideration was ₹ 19 crores which was classified as other financial liability.

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Deferred contingent consideration

Based on actual performance in financial year 2019-20 and current view of future projections for the brand, the Company has reviewed, and fair valued the deferred contingent consideration so payable. As at 31st March, 2020, the fair value of the contingent consideration is ₹ 11 crores which is classified as other financial liability.

Determination of the fair value as at balance sheet date is based on discounted cash flow method. Contingent consideration is arrived basis weighted average probability approach of achieving various financial and non-financial performance targets

Amalgamation with GlaxoSmithKline Consumer Healthcare Limited

On 3rd December, 2018, the Board of Directors of Hindustan Unilever Limited (HUL), subject to obtaining requisite approvals from statutory authorities and shareholders, had approved a Scheme of Amalgamation between HUL and GlaxoSmithKline Consumer Healthcare Limited (GSK CH). The scheme envisaged the amalgamation of GSK CH with the Company and the dissolution without winding up of GSK CH pursuant thereto. Both the Companies have received all necessary approvals and in accordance with the terms of the Scheme, 1st April 2020 will be both the appointed date and effective date. Accordingly, all assets and liabilities of GSK CH have become assets and liabilities of the Company with effect from 1st April 2020.

On 21st April, 2020, the Company had allotted 18,46,23,812 Equity Shares of ₹ 1/- each to the shareholders who were holding shares of the GSK CH as on the record date.

The Company is in the process of ascertaining the fair value of all the assets and liabilities acquired and the same will be accounted as per IND AS 103 – "Business Combination" with effect from 1st April, 2020.

Acquisition of VWash Brand

On 23rd March, 2020, the Company signed an agreement with Glenmark Pharmaceuticals Ltd. to acquire their intimate hygiene brand VWash. The deal includes the acquisition of intellectual property rights such as trademarks, design and know-how related to the brand. The transaction is subject to fulfilment of certain conditions and both parties would be working together to complete this in the next few months.

NOTE 41 DISCLOSURES PURSUANT TO SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND SECTION 186 OF THE COMPANIES ACT, 2013

	Year ended 31st March, 2020	Year ended 31st March, 2019
(a) Loans to Indian subsidiaries		
(i) Loan to subsidiary: Lakme Lever Private Limited.		
Balance as at the year end	185	166
Maximum amount outstanding at any time during the year	185	171
[Lakme Lever Private Limited has utilised the loan for working capital requirements and capital expenditure. It is repayable over a period of 7 years and carries an average rate of interest at 7.03% (2018-19: 8.07%)]		
(ii) Loan to subsidiary: Unilever India Export Limited		
Balance as at the year end	41	25
Maximum amount outstanding at any time during the year	72	155
(Unilever India Export Limited has utilised the loan for working capital requirements. It is repayable over a period of 7 years and carries an average rate of interest at 7.03% (2018-19: 8.10%)		

(b) Investment by the loanees in the shares of the Company

The loanees have not made any investments in the shares of the Company

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NOTE 42 RELATED PARTY DISCLOSURES

A. Enterprises exercising control

(i) Holding Company : Unilever Plc

B. Enterprises where control exists

(i) Subsidiaries (Extent of holding) :
Unilever India Exports Limited (100%)
Lakme Lever Private Limited (100%)
Unilever Nepal Limited (80%)
Pond's Exports Limited (90%)
Daverashola Estates Private Limited (100%)
Jamnagar Properties Private Limited (100%)
Bhavishya Alliance Child Nutrition Initiatives (100%) (Section 8 Company)
Hindustan Unilever Foundation (76%) (Section 8 Company)
Hindlever Trust Limited (100%)
Levers Associated Trust Limited (100%)
Levindra Trust Limited (100%)

(ii) Trust : Hindustan Unilever Limited Securitisation of Retirement Benefit Trust (100% control)

(iii) Key Management Personnel

(a) Executive directors :
Sanjiv Mehta
Srinivas Phatak
Pradeep Banerjee / Pradeep Banerjee Associates LLP. (up to 31st December, 2019)
Wilhelmus Uijen (with effect from 1st January 2020)
Dev Bajpai
Geetu Verma (up to 30th June, 2018)
BP Biddappa (up to 31st May, 2019)
Anuradha Razdan (with effect from 1st June, 2019)
Priya Nair
Sandeep Kohli (up to 31st January, 2020)
Prabha Narasimhan (with effect from 1st February, 2020)
Sudhir Sitapati
Srinandan Sundaram
Vibhav Sanzgiri (with effect from 1st June, 2019)

(b) Non-executive directors
Harish Manwani (up to 29th June, 2018)
Aditya Narayan
S. Ramadorai (up to 29th June, 2019)
O. P. Bhatt
Sanjiv Misra
Kalpana Morparia
Leo Puri (with effect from 12th October, 2018)
Ashish Gupta (with effect from 31st January, 2020)

(iv) Employees' Benefit Plans where there is significant influence :
Hind Lever Gratuity Fund
The Hind Lever Pension Fund
The Union Provident Fund
Hindlever Limited Superannuation Fund

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as at 31st March, 2020

		Year ended 31st March, 2020	Year ended 31st March, 2019
Holding Company	: Dividend paid	2,674	2,340
	Royalty expense	672	664
	Fees for central services	380	374
	Income from services rendered	247	284
	Expenses for services received	400	254
	Outstanding as at the year end :		
	- Trade and other receivables	13	11
	- Trade payables	590	180
Subsidiaries/Trust	: Sale of finished goods / raw materials etc.	272	309
	Processing charges	114	109
	Purchase of Property, Plant & Equipment	0	4
	Purchase of finished goods / raw materials etc.	8	16
	Royalty income	10	10
	Rent income	1	1
	Commission paid	1	1
	Expenses shared by subsidiary companies	11	13
	Dividend income	95	102
	Interest income	13	20
	Reimbursement received/receivable towards pension and medical benefits	48	41
	Purchase of export licenses	12	-
	Sale of Property, Plant & Equipment	0	1
	Income from services rendered	-	4
	Management fees paid	10	5
	Rent expense	0	0
	Donation paid	28	8
	Reimbursements paid	4	3
	Reimbursements received	34	38
	Inter corporate loans given during the year	292	248
	Inter corporate loans repaid during the year	257	283
	Outstanding as at the year end:		
	- Trade and other receivables	54	53
	- Trade payables	11	21
	- Loans & advances to subsidiaries	226	191
Fellow Subsidiaries	: Purchase of Property, Plant & Equipment	14	20
	Rent income	6	6
	Sale of Property, Plant & Equipment	5	1
	Income from services rendered	6	18
	Expenses for services received	27	10
	Management fees paid	-	8
	Purchase of finished goods / raw materials etc.	577	770
	Dividend paid	816	714
	Royalty expense	19	19
	Expenses shared by fellow subsidiary companies	4	8
	Gains/Losses on Commodity Hedge	3	-
	Maintenance and support costs for licenses and software	9	13
	Reimbursements paid	138	140

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

		Year ended 31st March, 2020	Year ended 31st March, 2019
	Reimbursements received	63	83
	Outstanding as at the year end with fellow subsidiaries		
	- Trade and other receivables	6	25
	- Trade payables	258	114
Key Management Personnel (Executive Directors)	: Remuneration:		
	- Short-term employee benefits	44	49
	- Post-employment benefits*	1	1
	- Other long-term benefits*	-	0
	- Share-based payments	10	19
	- Consultancy Fees	6	1
	Dividend paid	1	0
	Consideration received on exercise of options	0	0
Key Management Personnel (Non-executive Directors)	: Dividend paid	-	0
	Commission paid	2	2
Employees' Benefit Plans where there is significant influence	: Contributions during the year (Employer's contribution only)	94	133
	Outstanding as at the year end:		
	- Advances recoverable in cash or kind or for value to be received	14	12

*Note: As the liabilities for defined benefit plans and compensated absences are provided on actuarial basis for the Company as a whole, the amounts pertaining to Key Management Personnel are not included.

Terms and conditions of transactions with related parties

All Related Party Transactions entered during the year were in ordinary course of the business and on arm's length basis. Outstanding balances at the year-end are unsecured and settlement occurs in cash. Refer note 41 for terms and conditions of loans given to subsidiaries.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March, 2020, the Company has recorded impairment of receivables of ₹ 0 crore relating to amounts owed by related parties (2018-19: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Disclosure of transactions between Company and Related Parties during the year which are more than 1% of Revenue.

		Year ended 31st March, 2020	Year ended 31st March, 2019
Holding Company	: Royalty expense		
	Unilever Plc.	672	664
	Dividend Paid		
	Unilever Plc.	2,674	2,340
Fellow Subsidiaries	: Purchase of finished goods / raw materials etc.		
	PT Unilever Oleochemical Indonesia	397	545

Notes

to the financial statements for the year ended 31st March, 2020

(All amounts in ₹ crores, unless otherwise stated)

NOTE 43

The Company has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/ accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) has been made in the books of account.

NOTE 44

The Company has presented segment information in the consolidated financial statements which are presented in the same financial report. Accordingly, in terms of Paragraph 3 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in this standalone financial statements.

As per our report of even date attached

For and on behalf of Board of Directors

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W/W - 100022

Sanjiv Mehta
Chairman and Managing Director
[DIN: 06699923]

Srinivas Phatak
Executive Director Finance & IT and CFO
[DIN: 02743340]

Akeel Master
Partner
Membership No. 046768

Aditya Narayan
Chairman - Audit Committee
[DIN: 00012084]

Dev Bajpai
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN : 00050516]

Suman Hegde
Group Controller

Mumbai: 30th April, 2020

Mumbai: 30th April, 2020