

Unilever

UNILEVER NEPAL LIMITED

**TWENTY-SIXTH ANNUAL REPORT  
& ACCOUNTS**  
(17<sup>th</sup> July 2018 – 16<sup>th</sup> July 2019)



SWASTHA NEPAL  
SAKSHYAM NEPAL  
HAMRO NEPAL

# BOARD OF DIRECTORS

**1. PRADEEP BANERJEE**  
Chairman



**2. RAVI BHAKTA SHRESTHA**  
Promoter Director  
(Nominee, M/s Sibkrim Holdings Private Limited)



**3. SUBHAS BAJRACHARYA**  
Independent Director

**4. DEV BAJPAI**  
Director  
(Nominee, Hindustan Unilever Limited)



**5. PRIYA NAIR**  
Director  
(Nominee, Hindustan Unilever Limited)

**6. ASHISH RAI**  
Managing Director



**7. ASHA GOPALAKRISHNAN**  
Director  
(Nominee, Hindustan Unilever Limited)

# PROFILE OF DIRECTORS

## Profile of Mr. Pradeep Banerjee

Mr. Pradeep Banerjee was appointed as Executive Director – Supply Chain in Hindustan Unilever Limited (HUL) in April 2010. He has done a series of assignments in Supply Chain, Research & Development and Categories. Mr. Banerjee became the Vice President - Technical (Home & Personal Care) in 2003 and later moved to UK in 2005 as Vice President – Global Supply Chain for Personal Care Category. He has served as the Vice President for Global Procurement in Singapore. Mr. Banerjee was Managing Director of this Company from 1st April 1997 to 31st October 1998. He holds a bachelor's degree in engineering (Chemical) from IIT Delhi. He is the Chairman of Board of Directors of Unilever Nepal Limited (UNL) since 20th March 2011.

## Profile of Mr. Ravi Bhakta Shrestha

Mr. Ravi Bhakta Shrestha is a Promoter Director of UNL as representative of local Joint Venture Company - M/S Sibkrim Holdings Private Limited. He is a Chairman and Managing Director of N.E. Group (Hospitality, Industries, Investment and Trading) which is one of the leading business houses in Nepal. Previously, Mr. Shrestha was President of Federation of Nepalese Chamber of Commerce and Industry (FNCCI). He was also a member of "Business Consultative Group" Chaired by the Rt. Honorable Prime Minister. He is a member of "Industry and Trade Promotion Council" Chaired by the Rt. Honorable Prime Minister. He is founder and Chairman of I. J. Charitable Trust that contributes to the health and education sector under CSR. He is also member of committee of I.J. Trust Health Fund Operation Committee of Teaching Hospital, Tribhuvan University. He is member of Faculty of Management Committee of School of Management, Tribhuvan

University. He is also member of Indra Bhakta Gold Medal Award Committee and member of Indra Bhakta Scholarship Award Committee for MBA students at School of Management, Tribhuvan University. Mr. Shrestha is a Graduate in Business Administration. He has been decorated with Prasadha Prabal Gorkha Dakchhin Bahu 'Second' and Knight Officer of the Order of Merit of the Republic of Italy.

## Profile of Mr. Subhas Bajracharya

Mr. Subhas is an Electrical Engineering graduate (1985) from Birla Institute of Technology, Mesra, Ranchi. He is an owner and Managing Director of NH Nepal Pvt. Ltd. Mr. Bajracharya has done series of assignments in Nepal Telecom since 1986. He has served as CEO in Smart Telecom (2008-13), a private Telecom company in Nepal. In 5 years' time, Mr. Bajracharya helped start from the scratch till a customer base of 700K with GSM mobile and Satellite fixed line networks in the West, Mid-west and Far western rural areas. Mr. Bajracharya is working as Executive Director in Nexhop Limited since 2013.

## Profile of Mr. Dev Bajpai

Mr. Dev Bajpai was appointed Executive Director (Legal & Corporate Affairs) in HUL in May, 2010. He has, in January 2017 been appointed as a Director on the Board of HUL looking after Legal & Corporate Affairs function. Mr. Bajpai is a Fellow Member of the Institute of Company Secretaries of India and has a Law degree from University of Delhi. He has three decades of corporate experience in diverse industries that include Automobiles, FMCG, Hospitality and Private Equity in the areas of Legal, Governance, Tax and Corporate Affairs. He has worked in Organizations like Maruti Udyog Limited, Marico Limited, Indian Hotels Company

Limited and ICICI Venture Funds Management Company Limited. Mr. Bajpai has been part of Committees of Apex Industry Organizations like Confederation of Indian Industries (CII) & Federation of Indian Chambers of Commerce & Industry (FICCI). He has also represented Industry before Parliamentary Committees. He completed an Executive Program for Corporate Counsels at Harvard conducted by Harvard Law School. Before joining HUL, he was Senior Director, Legal & Compliance, ICICI Venture Funds Management Company Limited.

### Profile of **Ms. Priya Nair**

Ms. Priya Nair is the Executive Director & VP – Home Care which consists of Fabric cleaning & care, Household Cleaning and Water Purification business. Priya is successfully leading and delivering competitive and profitable growth for HUL's Homecare business which is an over INR 10,000 cr. business. She brings with her a diverse and rich experience including Consumer Insights, Customer Development and Marketing. She has spearheaded some leading-edge Marketing programs that are widely acclaimed both in India and globally, especially in the new age media of Digital: the most notable recent example is creating of Kan Khajura Tesan: A mobile radio service that has over 30 million consumers and winner of three Cannes Gold Lions. She has developed and built HUL's Perfect Village and Rural Marketing program and has led HUL's mobile strategy. In her earlier roles, she has worked with various brands such as Dove, Axe, Rexona, Close-up and Pepsodent.

Priya has led Mobile and Rural Marketing capability building for HUL and is also responsible for the HUL corporate brand including Project Sunlight (Unilever Sustainable Living Plan).

### Profile of **Mr. Ashish Rai**

Mr. Ashish Rai has been the Managing Director of Unilever Nepal Limited (UNL) starting December 2017. He has 17 years+ of industry experience spanning general management, category head, sales and marketing roles working in different capacities in global roles, in South Asia and in South East Asia. His educational qualification is bachelor's in engineering (chemical) from

IIT Roorkee followed by master's in business administration (marketing) from Faculty of Management Studies, Delhi University. He has worked for Infosys Technologies Limited, Colgate Palmolive (India) Limited, Hindustan Unilever Limited (HUL) and other Unilever group companies for different assignments in many parts of South Asia and South East Asia. In marketing, he has worked on brands in the Oral Care category like Pepsodent, Signal and Close Up. In general management & sales, he has worked in the last few years with assignments of Head – Rural Business & Alliances handling sales and distribution for the entire product portfolio nationally for HUL including the Shakti Program and a distribution joint venture with Tata Docomo; and in his last role in HUL as General Manager - Sales & Customer Development, South India, he managed the largest branch (sales unit) of the Company with annual turnover of INR 11000 cr. In addition to his current role as Managing Director for UNL, he leads the technology initiatives for Unilever's customer development function and is part of Unilever's South Asia Leadership team.

### Profile of **Ms. Asha Gopalakrishnan**

Ms. Asha is a qualified Chartered Accountant and joined Unilever as a management trainee in October 1996. She has done various roles as Management Accountant in Detergents, Supply Planner in Beauty and Personal Care, Customer Service Manager in Kolkata and Category Finance Manager in Skin Care. She moved on to handle the Finance Director role for Procurement in Asia, Africa, Middle East and Russia and was then the Venturing Director for Asia. Her last role was in Supply Chain Finance – South Asia. She is currently the VP Finance for Beauty and Personal Care since May 2019.

## ABOUT US

### AT A GLANCE

UNILEVER NEPAL LIMITED (UNL) IS NEPAL'S LARGEST FAST-MOVING CONSUMER GOODS COMPANY WITH A HERITAGE OF OVER 26 YEARS. NINE OUT OF TEN NEPALI HOUSEHOLDS USE OUR PRODUCTS EVERYDAY TO FEEL GOOD, LOOK GOOD AND GET MORE OUT OF LIFE; GIVING US A UNIQUE OPPORTUNITY TO BUILD A BRIGHTER FUTURE.

Each of our divisions - Home Care, Beauty and Personal Care, Foods and Refreshments includes a portfolio of brands that aim to deliver consistent, competitive, profitable and responsible growth. Our endeavor is supported by consistent investment in product innovation and marketing activities. With over 35 brands spanning 20 distinct categories including soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea and packaged foods, the Company is a part of the everyday life of millions of consumers across Nepal. Our portfolio includes leading household brands such as Lux, Lifebuoy, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup and Brooke Bond Red Label.

Your Company has a clear and compelling strategy that is driven by purpose and focuses on achieving consistent, competitive, profitable and responsible growth. Our strategy focuses on Winning with Brands and Innovation, Winning in the Marketplace, Winning through Continuous Improvement and Winning with People. This is underpinned by the Unilever Sustainable Living Plan (USLP) that sets our vision to increase the size of the business, whilst decoupling it from our environmental footprint and increasing our positive social impact. In a volatile and uncertain world, where rapid digitisation is re-shaping established business models, your Company is re-imagining itself to stay ahead. We are embedding technology across all our processes to build a business that is future-fit. We are constantly innovating across the portfolio to meet evolving consumer needs.

At the same time, transformation programmes such as Distributor Management System (IKEA) with Central Bill Monitoring System (CBMS) capability, SAP migration and leveraging 3 tier model to standardized processes are helping in faster decision-making, localised and swifter innovation delivery and increased speed-to-market, which is driving business performance.

Over the years, UNL has been driving the virtuous cycle of growth, which has been resulting in consistent, competitive, profitable and responsible growth for us. Our continuous effort to re-invent the organisation and stay ahead of the curve by constantly innovating helps us drive scale. Meeting consumer needs enables us to increase our footprint and drive higher volume growth. With higher volume growth, we get benefits from scale, efficiencies and we invest the savings behind our products and brands which thereby results in the virtuous cycle.

We are committed to protecting our reputation by fostering business integrity which is non-negotiable for all employees. Our Code of Business Principles (the Code) and the 24 policies that support it (Code Policies) set out the behavior of standards required from all our people. The Code Policies cover a number of areas, including anti-bribery and corruption, respect, dignity and fair treatment of people, personal data and privacy. Together, the Code and Code Policies help us put our values of Integrity, Respect, Responsibility and Pioneering into practice.

# OUR PURPOSE

UNILEVER NEPAL LIMITED (UNL) HAS A CLEAR PURPOSE – TO MAKE SUSTAINABLE LIVING COMMONPLACE. WE BELIEVE THIS IS THE BEST WAY TO CREATE LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS, ESPECIALLY IN A VOLATILE AND UNCERTAIN WORLD.

As the pace of change accelerates, we are creating a stronger, simpler and more agile business. However volatile and uncertain the world becomes; we believe managing for the long-term is the best way for us to grow. We are well placed to deliver long-term value through our strategy and the USLP. These are supported by a transformational change agenda, which combines our own actions with a stakeholder approach to external advocacy and public policy.

Our Purpose inspires our Vision – to accelerate growth in our business, while reducing our environmental footprint and increasing our positive social impact. We want our business to grow, but we recognize that growth, at the expense of people or the environment, is both unacceptable and commercially unsustainable. Sustainable growth is the only acceptable model for our business. Our Purpose and Vision combine a commercial imperative to succeed against competition, with the changing attitudes and expectations of consumers.

This Annual Report and Accounts explains how, in 2018-19, we have continued to pursue our Purpose and work towards making our Vision a reality. During the year, we continued to deliver growth that is consistent, competitive, profitable

and responsible. This track record of long-term success is underpinned by the Unilever Sustainable Living Plan (USLP), which helps us manage risk, inspires brand purpose and innovation, drives down costs to improve returns and builds trust among consumers across our categories and operations.

Our success depends on the expertise and talent of our people. They are constantly challenged by an environment that remains Volatile, Uncertain, Complex and Ambiguous (VUCA). The market is fragmenting because of changes in consumer habits, sales channels and the media. Therefore, the Company is also changing through the business transformation programme. It is creating a business which is more consumer and customer-centric, faster, more efficient and empowered so that our people can meet these challenges with the necessary resources.

As part of this change, we are adopting new ways of working to be more entrepreneurial to complement our existing category strategies. In turn, these clearly defined strategies across our four categories ensure that the Company has a well-balanced and resilient portfolio relevant to meeting our Purpose and Vision.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to share with you an update on your Company's performance for the year 2018-19; a year which has seen remarkable all-round progress. In a challenging external environment, your Company performed well and delivered another year of consistent, competitive and responsible growth. Our deep understanding of consumers, a strong portfolio of brands and distinctive capabilities across the value chain have enabled us to deliver broad-based superior performance. Simultaneously, we recognised the need for responsible growth and focused on creating greener and more efficient manufacturing with cleaner fuels, more efficient energy consumption and lesser generation of waste.

We continue to place purpose at the heart of our business as we believe that brands with purpose grow, companies with purpose last and people with purpose thrive. I am delighted that the year has been a testament to the fact that embedding purpose in the business, drives superior performance.

In the year under review, we saw considerable changes in the external business environment. In this challenging business environment, your Company delivered a good performance in 2018-19. This was enabled by our 4G model of growth - consistent, competitive, profitable and responsible growth. We believe that this model, particularly in times of uncertainty, is in the best long-term interest of all our stakeholders and a good indication of a robust strategy.

For the year under review, our Domestic Consumer business grew 18% with 16.3% underlying volume growth. Net Profit at NPR 106 Crores was up by 6.6% only primarily because of higher depreciation and costs incurred on upgrading the technology and processes, which is the most important sign of our commitment towards this business.

Your company has made its distribution network more robust and agile to be more responsive to the VUCA environment. We have undertaken a rapid expansion of direct distribution at the start of the year with 117 distributors across the country, we are now poised to leverage increased reach across the country.



Leveraging technology and data-led decision-making continues to be a big thrust for UNL. We are 're-imagining UNL' by embedding technology across the value chain to make us future-fit. We have invested heavily in cutting edge technology to unlock massive efficiencies across the distribution chain. Your company is the only Company in Nepal to have rolled out cutting edge GPS technology through which we have captured the GPS co-ordinates of all outlets thereby enabling your company to know the exact location of these outlets.

Your Company continued to focus and drive Project 'Hamri Didi – a rural direct-to-consumer retail distribution initiative', which has empowered women in rural areas with enhanced livelihood opportunities. This year our execution partners have tied up with financial institutions increasing independence of our Hamri Didis. This project has significantly improved our product availability in Hilly districts of Far West region of the country.

With one of the strongest distribution networks established in last one year, your company is better placed than any other organisation in Nepal to drive strong growths in newly carved provinces outside Valley. Our sales and distribution system with an unrivalled national presence across traditional and modern trade channels, remains a key competitive advantage. We continued to expand our direct coverage and

# WHERE WE OPERATE

UNL operates across the length and breadth of Nepal. We have 241 employees working across our factory and offices. Conducting our operations with integrity and respect for the people, organisations and the environment that our business touches, has always been at the heart of our corporate responsibility.

# CODE OF BUSINESS PRINCIPLE

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## Standard of Conduct

We conduct our operations with honesty, integrity, openness and respect for human rights and interests of our employees.

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

## Obeying the Law

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

## Employees

Your company is committed to a working environment that promotes diversity and equal opportunity and where there is mutual trust, respect for human rights and no discrimination.

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

We will provide employees with a total remuneration package that meets or exceeds the legal minimum standards and appropriate prevailing industry standards.

We will not use any form of forced, compulsory, trafficked or child labour.

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

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

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

We will ensure transparent, fair and confidential procedures for employees to raise concerns.

## Consumers

Your Company is committed to provide branded products and services which consistently offer value in terms of price and quality and which

are safe for their intended use. Products and services will be accurately and properly labeled, advertised and communicated.

## Shareholders

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

## Business Partners

Your Company is committed to establish mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own.

## Community Involvement

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

## Public Activities

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

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

Your company neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

## The Environment

Your company is committed to make continuous improvement in reduction of environmental impact and developing a sustainable business in long term.

leveraged technology and intelligent analytics to significantly enhance our customer service and on-shelf availability. The Company also continued to make significant investments in building capabilities to win in channels of the future.

The company has focused heavily on distributor infrastructure by leveraging on world class technology. Unilever Nepal brands continue to be market leaders in all the categories it operates in. The strength of our brands and focus on investment behind these brands has enabled us to maintain leadership across categories despite the competitive pressures in the market and the difficult market situation. Your company has also invested significantly behind our powerful brands. All these actions are supposed to drive sustainable growth.

Our brands continued to live our purpose of making sustainable living commonplace. Lifebuoy and Pepsodent continued to lead our initiatives in the areas of hygiene and sanitation. Lifebuoy has always been pioneering for promoting the lifesaving habit of handwashing with soap and helping people adopt daily habits that contribute towards it through the global campaign – "Help a child Reach 5". Since the launch in the year 2014, social mission has impacted more than 25 lakh people. Consistently working on making positive impact on Nepalese lives and equally being thoughtful on making the program sustainable and scalable, the public-private partnership was initiated in a collaborative approach, partnered with various NGO/INGO (UWS, SNV) reaching out to newer geographies. The campaign was structured around addressing the behavioral determinants of disgust, nurture, affiliation, routine and habits.

We remain committed to Unilever Sustainable Living Plan's (USLP) vision of reducing our environmental footprint and at the same time, creating a positive social impact. During the year, we took significant steps to further reduce waste, water consumption, energy usage and CO<sub>2</sub> emissions in our factories and offices. During the year, your Company has declared itself plastic free zone and thereby committing to live up to our purpose of making sustainable living a commonplace.

Our world-class supply chain maintained its relentless focus on driving quality, customer service and cost effectiveness across the value chain. Our belief remains firmly embedded in delighting consumers every day. Your Company created in-house capacity for shampoo sachets to high end Ponds creams and facewashes. New

pack sizes were added for various products. Capacity de-bottlenecking was done on oral care lines and shampoo bottles. Tea manufacturing plant was set-up.

Lot of new products were added to UNL basket and pack-sizes were optimized basis market needs. We are continuously working to get best out of technology and engineering practices in our manufacturing operations. Best in class processes are being adopted to cater to business and make more efficient to deliver to continuously changing market and consumer needs.

Safety, a non-negotiable and basic requirement of working condition, remains our top-priority and the same was resonated through various initiatives undertaken. Safety awareness was further instilled through "2-Wheelers & 4-Wheelers Defensive Driving Training", "Route Risk Assessment", "Beyond Work Safety Campaign", "Machine Safety", "Monsoon Safety Campaign" and various trainings on "First Aid", "Firefighting" and "Earthquake Safety".

With these efforts, the year has been full of milestones which includes new corporate office, expansion of the team and alignment of various processes and procedures with Unilever's global standards. Constant interaction and communication among all employees is encouraged to foster a sense of belonging and to create an empowered system at UNL. We had innovative learning and talent acquisition initiatives to create a thriving organization in the years to come to serve our customers and consumers better. We have always put forward our purposeful brands in the Nepalese market and stood by our performance by inculcating employee centered policies and performance plans that are aligned with global operating philosophy of Unilever.

I would like to take this opportunity to thank each and every employee as well as those working with our partners across our value chain for their commitment and service to UNL.

Most importantly, I would like to thank you, our shareholders, for your overwhelming trust, support and confidence in Unilever Nepal Limited.

Warm regards,

**Pradeep Banerjee**  
Chairman

# NOTICE of Annual General Meeting

Notice is hereby given to all the shareholders that the Twenty Sixth Annual General Meeting of Unilever Nepal Limited will be held on 24th October 2019 (7 Kartik, 2076) at 4:30 pm at Silver Oak, Gairidhara, Kathmandu, to transact the following business:

## ORDINARY BUSINESS:

1. To receive and adopt the Profit and Loss Accounts 2075-76 (17th July 2018 to 16th July 2019), Balance Sheet, Cash Flow Statement and Reports of the Board of Directors and Auditors for the period ended 16th July 2019 (Ashad 31, 2076).
2. To appoint Auditors and to fix their remuneration for the year beginning 17th July 2019 (Shrawan 1, 2076) (TR Upadhyay & Co., Chartered Accountants had been recommended for appointment by the Audit Committee).
3. To approve the Dividend as per the recommendations of the Board of Directors.
4. To inform about remuneration of Managing Director.
5. To reappoint Mr. Subhas Bajracharya as an Independent Director of the Company for the maximum period of four years from the conclusion of 26th Annual General Meeting.

Date: 1st October 2019

**Registered Office:**  
Basamadi-3, Hetauda  
Makwanpur, Nepal

By Order of the Board of Directors  
**Shalini Jhunjunwala**  
Company Secretary

Your company will work in partnership with other partners to promote environmental care, increase understanding of environmental issues and disseminate good practices.

## Innovation

Our innovations use insights and technologies to deliver brand-led benefits which meet the latest trends. Our innovation is increasingly responsive to local needs, landing results faster into the market

We will innovate based on sound science, applying rigorous standards of product safety.

## Competition

Your Company believes in vigorous yet fair competition and supports the competition laws of the company. Unilever companies and employees conduct their operations in accordance with the principles of fair competition and all applicable regulations.

The Legal function of Unilever continues to be a valued partner in facilitating the business agenda and effectively dealing with unfair competition and ensuring regulatory compliances.

## Business Integrity

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

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

## Conflicts of Interests

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

Employees must not seek gain for themselves or others through misuse of their position.

## Compliance – Monitoring – Reporting

Compliance with these principles is an essential element to our business success. The Unilever Board is responsible for ensuring these principles are applied throughout Unilever.

The Chief Executive Officer is responsible for implementing these principles and is supported by the Global Code and Policy Committee which is chaired by the Chief Legal Officer. Day-to-day responsibility is delegated to all senior management of the geographies, categories, functions and operating companies. They are responsible for implementing these principles, supported by local Code Committees. Assurance of compliance is subject to review by the Board supported by the Corporate Responsibility Committee and for financial and accounting issues, the Audit Committee.

Any breach of the Code must be reported. Provision has been made for employees to be able to report in confidence and no employee will suffer any consequence of doing so.

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## REPORT OF THE BOARD OF DIRECTORS

Revenue from Operations

**NRs. 5.75 Billion**

Net Profit

**NRs. 1065 Million**

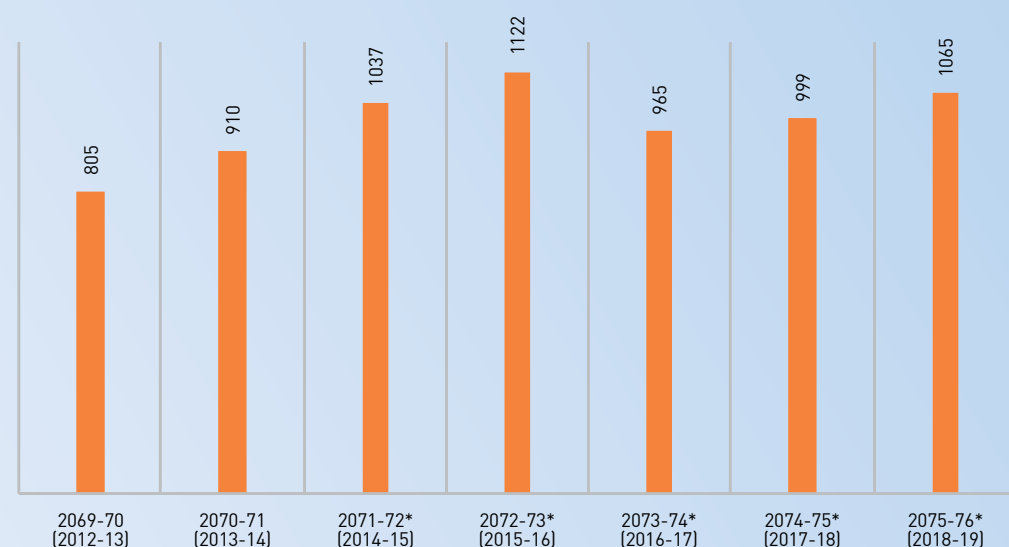
Operating Cash flow

**NRs. 623 Million**

Proposed Dividend per share

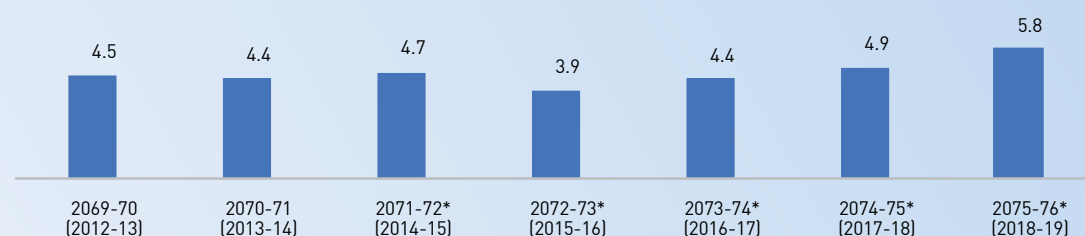
**NRs. 770**

## NET PROFIT (NRs. Million)



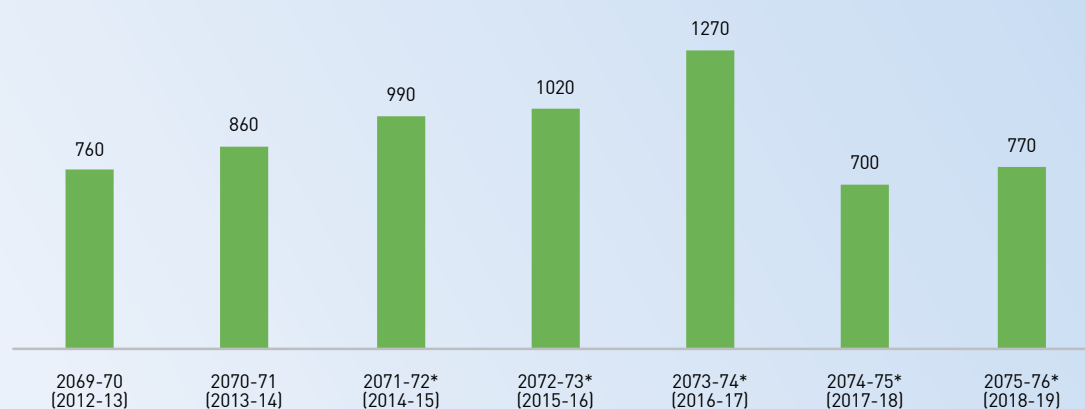
\*As per NFRS

## REVENUE FROM OPERATIONS (NRs. Billion)



\*As per NFRS

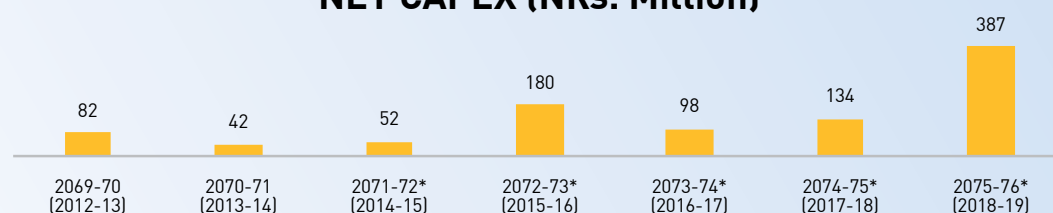
## DIVIDEND PER SHARE



\*As per NFRS

\*\* Includes special dividend of 170 per share

## NET CAPEX (NRs. Million)



Your Company's Directors are pleased to present this Annual Report of the Company, along with Audited Accounts, for the financial year ended 31st Ashad 2076 (16th July 2019).

## Financial performance Summary

In Mn.	2075-76	2074-75
Revenue from operations	5754	4868
Profit Before Tax	1372	1330
Net Profit for the year	1065	999
Dividend	-644	-1169
Retained earnings balance carried forward	1436	1015

## Review of Financial year 2075-76

Your Company has once again delivered a consistent growth of 18% during the year. The growth has been primarily contributed by Personal Care segment delivering strong growth with Skin care, Hair Care and Oral Care Categories leading the growth. We faced some headwinds in home care segment on account of supply restructuring leading to temporary disruption, however the same is resolved now and we have seen the momentum in home care coming back in the last quarter of the fiscal year.

Your Company has delivered bottom-line growth, which is largely driven by personal care categories, judicious price management and leveraging on the current manufacturing capability. The growth in bottom line is not commensurate with the top line growth on account of investments done largely to upgrade the technology and processes.

Bringing world class technology to Nepal and leveraging the same for business has always been the priority of Your Company. Your Company has implemented one of the most advanced

enterprise resource planning systems, SAP in almost all the operations. This has significantly improved the financial and operational controls in your Company and automated several manual processes. In view of manufacturing more world class products in Nepal, your Company has made significant capital investment during the year. This was done both to increase the capacities of current portfolio like hair care and skin care and to manufacture new categories like Tea.

Your Company's brands continue to be market leaders in all the categories it operates in. The strength of our brands and focus on investment behind these brands has enabled us to maintain leadership across categories despite the competitive pressure in the market and the difficult market situation. Your company is also investing behind understanding needs and preferences of Nepali consumers to serve them with the best available products in Unilever's portfolio. All these actions will drive sustainable growth.



# CORPORATE SOCIAL RESPONSIBILITY

Your Company is committed to operate and grow its business in a socially responsible way and has a simple but clear purpose - to make sustainable living common place. This purpose inspires your company's vision to accelerate growth in the business, while reducing its environmental footprint and increasing its positive social impact. Your Company's commitment to sustainable living is not only helping to drive strong business growth but also helping to enhance equity and preference for its brands with consumers. This approach lies at the heart of our business model, driven by sustainable living and the Unilever Sustainable Living Plan (USLP). It guides our approach to how we do business and meet the growing consumer demand for brands that act responsibly in a world of finite resources.

A brief overview of your company's projects under Corporate Social Responsibility (CSR) is as given below:

## Commitment to Local Community

Your Company is engaging with local community and countrymen through different activities. It has continued to reach out to thousands of families and children through its contribution towards community and country. In the year 2075-76, your company has contributed around NPR 6.564 million towards social causes.

## Commitment to Serve

Your Company always tries to help the country in case of need. During this year tornado created a lot of damages and people couldn't have access to personal hygiene products. Hence, several personal hygiene products worth NPR.1.95 Million were distributed to help the victims.

## Health: The Ultimate Need

The Health Clinic and Mobile Health Camp initiated by your company has benefited marginalized, indigenous and poor people in the remote villages of Makwanpur District. This outdoor clinic with specialist doctors is conducted twice in a month. The indoor clinic opens five times a month for the community people of Basamadi where they receive free health consultancy. Free medicines are also provided for the needy, poor or elderly

people. Your Company also distributes Hygiene Kits which includes Lifebuoy and toothpaste to the needy people. Your Company also activates several programs of hand washing through health professionals for the awareness of children in the schools and distribute its powerful brand Lifebuoy to them. Your Company has spent a total amount of NPR 3.35 million for health clinic this year.

## Education: a step towards the future

Your company has been contributing to empower the local community with vocational education and development of infrastructure of the school. In this program, students of Makwanpur District are provided scholarships to study Technical SEE course of 2.5 years in Balaju Technical Institute, Kathmandu and construction materials were given to build a school in Kathmandu. This will help the younger generation to get technical skills and employment within and outside Nepal. Your Company has contributed NRs. 0.026 million in such educational programs in 2075-2076.

## Development through Infrastructure

Your company has been working on physical infrastructure development of Nepal by contributing towards Public welfare worth NRs 1.26 million

# WINNING WITH BRANDS AND INNOVATION

## Fair & Lovely Advanced Multivitamin Relaunch

Fair & Lovely Advanced Multivitamin – HD GLOW, the leading Skin Care brand in Nepal, was relaunched this year. Objective of the re-launch was to land and build strong differentiating positioning bringing functional expertise back to the Best Ever Fair & Lovely brand in Skin Care.

This superior mix was deployed in the market with an exciting 360° communication comprising of TV commercials, radio, press, POS materials, trade communication and outdoor display. The new pack of New Fair & Lovely - HD GLOW has created a huge buzz with the re-launch.

## Fair & Lovely Scholarship Program

Fair & Lovely Career Foundation Nepal website: [www.fairandlovelyfoundation.com.np](http://www.fairandlovelyfoundation.com.np) was launched this year. Fair & Lovely Scholarship Program awards educational scholarships to women with aptitude, drive and ambition, to carve a place of pride, based on self-reliance, for themselves in society. Now Fair & Lovely Career Foundation helps to provide and encourage young girls and women to grow and take forward their dreams by bringing world class Scholarships right at their fingertips.

## POND'S STARLIGHT Launch

POND'S STARLIGHT Perfumed Talcum powder (talc) was launched in Unilever Talc Portfolio this year. POND'S Starlight Perfumed Talc is Infused with orchid & jasmine notes which helps you stay fresh & keeps your skin soft & smooth throughout the day. It prevents body odour by absorbing sweat and fighting bacteria, soothes & cools to give freshness in seconds, removes excess oil secretion on the face leading to an even tone skin and makes your face look brighter giving real glow in seconds.

## Closeup Love Fest + Digital Contest

February the month of love - Valentine's Day this year was celebrated with much fanfare and élan with the 2019 edition of the Closeup Love Fest, one of the most awaited festival and celebration of love and this year it has proved to be much more! Closeup, a leading toothpaste brand in Nepal, has been holding the popular Closeup Love Fest every year with exciting contests, games and extravaganza to create a special ambience for young couples, usually during the time around Valentine's Day at popular malls in Nepal.

Entire activation was promoted through digital media where interactive digital posts and videos, banner advertisements, static key visuals, photo contest, predict and win contest were used to engage the audience through Facebook. Closeup Love Fest is now a much-loved annual Valentines event in Nepal.

## Saundarya Chautari

The campaign was activated massively for each day of the month by creating as a calendar event happening across various remote and rural parts of Nepal. The activities were designed in a way where we communicate the message in an interactive way through infotainment drama. Brands were thus activated in those areas with the key brand messages through Drama, Songs, Dance, Trade Engagement, Product Education and Demonstrations. The campaign received a huge appreciation and accreditation from the locals and created lots of buzz in terms of trade, local media and not to mention among the local population.

## Lux Kamana Film Awards

Lux Kamana Film Awards 2075, one of the prestigious film awards for Kollywood films was held on 1st December 2018. This film award

felicitated several talents of the Nepali film industry. Among the different award categories "Lux Star of the Year" award, which was the most awaited, was won by Ms. Priyanka Karki.

With its exceptional packaging that highlights the superior fragrances through flowers and perfume logo, the Best Ever Lux kick starts your day with a fragrant bath. A secret to the beauty of various renowned faces, its superior perfume bloom is filled with hundreds of flowers and its unique Floral Fusion™ Oil leaves your skin delicately and irresistibly perfumed. The very new look of the brand was activated in media through thematic television commercial, radio, innovative press advertisements, point of sale material trade communication and digital promotion.

### LAKMÉ in Nepal

LAKMÉ a Top Cosmetic Brand in India has been able to establish itself in the Nepali Market very well. After recognizing the potential of Colour Cosmetics in the Nepali Market, Unilever Nepal added one more feather to its cap by launching LAKMÉ in a star-studded event. The event was extremely well-received and was attended by some renowned names from fashion and TV industry. LAKMÉ has been able to make itself a special place in the heart of the Nepali Consumers.

The quality of the Products has been highly appreciated by our consumers. With the wide distribution that Unilever Nepal has, LAKMÉ has been able to reach to all potential markets across Nepal. LAKMÉ currently has 36 Trained Beauty Advisors (BAs) dedicated for each of the Counters, spread across the country to provide quality service to the consumers.

### Brooke Bond Red Label Tea Launched in Nepal

Red label is a 108 years old brand with tremendous equity and heritage. Brooke Bond Red Label Tea is a blend CTC tea with best quality leaves, processed in the unique Brooke Bond Tea Excellence Centre. Since 1869, Brooke Bond has brought to you the perfect tasting tea experience with the best-chosen leaves. It was in 1903 that Brooke Bond launched Red Label, one of India's most preferred tea brands today. Brooke Bond Red Label since then has changed the way people drink tea.

Brooke Bond Red Label was launched in Nepal with tea leaves sourced from Illam and its taste catered to the Nepali consumers. With Unilever's wide distribution and its superior taste, Red Label tea will soon revolutionize the tea market of Nepal.

## WINNING IN THE MARKET PLACE

Your company has built one of the strongest distribution networks which now reaches to the farthest corners of the country. In the country like Nepal where the infrastructure is not developed in comparison to its South Asian counterparts, we foresee our distribution strength to be a competitive advantage for the years to come. We are focused on driving high quality direct coverage and increasing the assortment (different number of products) sold in each store using technology and a data-driven analytical approach.

### Technology led Distribution

Your company now reaches directly to more than 45,000 outlets which makes us the leading company in direct distribution across Nepal. We

are the only company in Nepal to have rolled out cutting edge Global Positioning System (GPS) technology through which we have captured the GPS co-ordinates of all outlets thereby enabling your company to know the exact location of these outlets. Your company can now plan precise interventions at the micro-area level to get better returns on the marketing interventions.

Western and Eastern part of Nepal are seeing better growths. With one of the strongest distribution networks established in last one year, your company is better placed than any other organisation in Nepal to drive strong growths in newly carved out provinces outside Valley.

### Technology Enabled Business

Your company has invested in cutting edge technology to unlock massive efficiencies across the distribution chain. We have gained massively in the order taking efficiency through this intervention. We now regularly track in real time the order capturing process inside the store for example: Feet on street basis the GPS co-ordinates of the salesman and outlets, Time spent by salesman in the market, Time spent by salesman in the store, number of stock keeping units (SKUs) sold by the store etc.

Our advanced distributor billing system (IKEA) has drastically improved efficiencies in the order billing and claims at the customer level. Also, we now have rich data which is helping your company to unlock efficiencies in the Supply and Planning process. Our forecasting accuracies have shot up considerably because of the granularity of data available. This has also led to better utilisation of the promotional schemes.

This is the century of data analytics and your Company is ensuring we are well ahead of the curve with respect to data driven decision making in this country. This will remain one of our biggest competitive advantages in Nepal. Your company remains committed to invest ahead of the curve in technology in every aspect of distribution and

## SUPPLY CHAIN AS COMPETITIVE ADVANTAGE

Supply chain team is focussed on delivering consumer and customer service with a long-term view on its operations. Business made some strategic moves and corrections through the year to get the company on a growth path with strategic partners. Business further continued the journey of Localization, Capacity Enhancement, Cost Optimization, Engineering & Service Excellence, keeping our core values intact with respect to Safety, Quality & Sustainability.

### Safety, health & environment

Safety of our people and our operations remains a top priority for supply chain and a series of initiatives were driven to make everyday workplace safer and the environment around us cleaner. With the support of Larsen & Toubro

bring out efficiencies which will result in Winning in Market place.

### Tech in Touch

Our employee remains our biggest asset in aiding the company to reach and grow in the farthest of the places in Nepal. Your company has launched a training app called "Paathshala" to enhance the skills of employees in the sales function spanning the entire hierarchy. With eyes on the future, we are upskilling the high-performance employees through exposure to other mature Customer Development functions of other countries.

Your company has also launched a program called "Unilever Warrior" where we are providing a career path to the high performing distributor salesman to grow in Unilever.

### Customer Centricity

Your company is one of the first company in Nepal to launch a dedicated support line called "Primary Levercare" for all our customers. This is to streamline and provide quick resolution to the customers for the issues faced by them in the day to day running of their businesses. Our endeavor is to become the most customer focused company in the entire country.

## Sustainability

Sustainable growth is the hallmark of all Unilever operations and Unilever Nepal is no different. The Company is well on the path of elimination of Caustic dilution operation and optimization of boiler operation to control Carbon/SOX emission by importing Noodles and other similar actions. We have also started a project to harness Solar energy to meet our hot water requirements for various operations.

Projects are under way to figure out alternate usage of business waste to not only generate value for business, but also to conserve natural resources. Company is also picking up actions to increase plastics awareness and reduce usage in its products. Efficiency actions are being taken across all operations to reduce energy and material consumption.

## Capacity upgradation

UNL's supply chain team has been working on consolidating and upgrading capacity and supporting the business with localisation of a range of imported products. This year, we created in-house capacity from shampoo sachets to premium Ponds creams and facewash. New pack sizes were added for various products. Capacity de-bottlenecking was done on oral lines and shampoo bottles. Tea manufacturing plant was set-up in the year and new access packs were also added to the line to service the need of inducing trials in the market for Red label.

## Engineering excellence

Our engineering team has been continuously working to upgrade our machines to newer standards. Shampoo bottle filling line was improved to fill larger bottles thus removing need of manual filling lines. End of line automation plan is work in progress on multiple lines to provide higher output. Work is in the last stage to remove drum handling for large quantity liquid raw material through auto-feed lines, not only making us more efficient, but also reducing requirements of plastic drums and thus carbon footprint.

## Quality

Quality is at the heart of all the activities in Supply Chain. There is a continuous endeavour to ensure that all our customers get world class products at all times. We have started a quality benchmarking process with other Unilever entities and other companies within Nepal. The focus is shifting from factory quality to quality in consumer hands. We are rolling out "Go to Market" quality and have already initiated checking quality of our goods on receipt at the warehouse. Factory quality systems like vision cameras are extended to all lines. Check-Weighing machine is put in the end of line to strengthen our quality competence and avoid shortage issue.

## Cost optimization

It is our competitive edge to provide high quality products at optimised cost. We have rolled out a companywide initiative in "Symphony" to maximise savings across functions and activities. Within the first year, the program targets to deliver significant savings to bottom-line through various initiatives. These initiatives range from localisation of raw materials and packaging materials to improving formulations of the products to reducing travel cost to optimising brand investments. Plant utility costs are being controlled by reducing usage of boiler in the plant through a series of initiatives on water purification to using solar energy.

## Journey towards excellence in servicing

Business moved closer to customer in many ways this year. We migrated to multi-city warehouse model bringing us closer to the customers and aligning depot operations to local needs like local festivals etc. We also put online software to capture customer orders simplifying and streamlining the planning process for distributors through norm-based ordering. We have provided a direct online portal Primary Lever Care (PLC) for customers to log-in their issues, which is regularly reviewed at the leadership level, ensuring a prompt and easy resolution to all problems faced by customers.

# WINNING WITH PEOPLE

A strong foundation of the business lies in the capabilities of its people and the processes in collaboration and with the support of leadership team in the organization. We had innovative learning and talent acquisition initiatives to create a thriving organization in the years to come to serve our customers and consumers better.

## Learning and Capability Building

Learning and capability building have been a high priority and we have kickstarted with diverse plans for different functions with adoption of different technologies. Apart from Degreed which is one of the largest digital learning platforms in the world, Unilever Nepal has also established a library with the latest international journals and books on business and economics to keep our people up to date on global market developments and to improve their knowledge and productivity at work. Immersions in our parent company Hindustan Unilever Limited have been instrumental in providing exposure to the employees on business processes, manufacturing and market work where we have replicated the best practices in UNL. We have also kickstarted digital learning platform 'Paathshala' for our Customer Development team, which has been an effective digital tool to learn basic skills and expertise on sales. It is well known that People with Purpose thrive and with this view, this year we have started 'Discover your Purpose' workshops and it has been a wonderful self-discovery journey. Unilever globally is one of the few companies attempting to drive purpose across its organization.

## Talent Acquisition and Development

In today's world the single biggest differentiator between top firms is the quality of talent. Unilever Nepal has been an Employer of Choice for the year 2018 among the MBA students of top campuses in the country. At UNL we have

gone beyond the internship programs in terms of campus engagement by partnering with the premier institutes on mentoring the students on selection of their specialization, engaging with them through sessions for Intellectual Property Rights or setting up interaction & guest lectures with the leadership team of Unilever Nepal where they have connected with the students, alumni and the faculties of these institutes. Such interactions with the brightest young minds of Nepal has been a great winning journey for us and ensures that we remain the top destination for the best minds of Nepal.

## Winning Culture at the workplace

To align with the global Unilever wellbeing standards, we have gone beyond the benefits prescribed by national laws such as extending paternity leave of up to three weeks and giving maternity leave of up to sixteen weeks thereby aligning UNL with Unilever's ideals to support the wellbeing of its employees and advance gender diversity in the workplace by assisting a smooth and caring transition into parenthood. UNL has also established creche in its manufacturing unit to support our working mothers. Our Lamplighter program which includes annual health examination and counselling of employees towards their physical and mental well-being have been deeply appreciated by our people. We have built processes and systems for travel support through HRG-An American Express global business travel partner and improved the Human Resource Information Management by adopting the Workday platform to align with our global HR processes in terms of managing employee data and employee life cycle.

## Reward and Recognition

Regular employee connects build welcoming working environment and help to create a transparent organization. Beyond the annual conference we have also initiated Quarterly Townhalls and business report back for the larger organization. The event focusses on employee interaction, employee engagement and recognition to those who have abided by the key values at work which Unilever prides itself in namely: Teamwork, Discipline, Work

Ethics, Passion and Resilience. UNL has also streamlined its compensation & benefits policy in line with Unilever global reward framework. On recognition front, Unilever Nepal Finance Team has been recognized as the Best Team in Unilever South Asia Finance Conference in Leading Capabilities category and Unilever Nepal Legal team has received the Director's Award for Best Performing Legal Team in Unilever South Asia and Unilever HR Team has received South Asia ER Synergy award for embedding winning culture in our Factory.

# GOVERNANCE, COMPLIANCE AND BUSINESS INTEGRITY

The Legal function of the Company continues to be a valued business partner that provides solutions to protect your Company and enable it to win in the volatile, uncertain, complex and ambiguous environment. Through its focus on creating 'value with values', the function provides strategic business partnership in the areas including product claims, legislative changes, combating unfair competition, business integrity and governance.

Your Company continues to ensure it has an appropriate framework and safeguards for data privacy of its stakeholders with enhanced legal and security standards. The legal function of your Company continues to embrace newer technologies to make the function future ready to support the growth agenda of the business.

Your Company is of the view that the menace of counterfeits can be effectively addressed if enforcement actions are supplemented with building awareness amongst the consumers of tomorrow. Your Company continued to engage with various stakeholders including Industry Bodies and Regulators to curb the menace of counterfeiting. One of the key activities undertaken by your Company in this direction is propagating intellectual property awareness,

particularly among school and college students. Your Company believes it is important to educate students on intellectual property and build awareness and understanding of the subject so that students start respecting intellectual property rights from a young age.

The Legal function of your Company works with leading industry associations, national and regional regulators and key opinion formers to develop a progressive regulatory environment in the best interest of all stakeholders.

## Business Integrity

Our principles and values apply to all our employees through our Code and Code Policies. Our employees undertake mandatory annual training on these Policies via online/offline training modules and an annual business integrity pledge. Our Business Integrity guidelines include clear processes for managing Code breaches.

During the year, we closed 15 incidents across all areas of our Code and Code Policies, with 8 confirmed breaches followed by necessary disciplinary action. The Code and Code Policies reflect our commitment to fight corruption in all its forms. We are committed to eradicating any practices or behaviours through our zero-tolerance policy.

Our Responsible Sourcing Policy and Responsible Business Partner Policy help to give us visibility of our third parties to ensure their business principles are consistent with our own.

## Nepal financial reporting standard (NFRS)

Your Company believes in the highest standards of corporate behaviour, which are laid out through a written Code of business principles for transparency & all statutory/legal compliance by the Company. In line with the same principle, the company has adopted Nepal Financial Reporting Standard (NFRS) for the last 5 years.

## Dividend

The Board of Directors always believe in returning the value created from company's strong operations to its shareholders and have remained committed to high dividend payout policy for the upcoming future. The Board at their meeting held on 5th September 2019 recommended final dividend of NRs. 770/- per share on each equity share for the financial year that ended on 16th July 2019.

## Business Risk & Future Outlook

As your Company marches into the future, we remain committed to exceed expectations by delivering sustained, competitive, responsible and profitable growth. We believe it is imperative for us to stay true to what lies at the heart of our business through key building blocks of our success such as strong innovations, greater consumer value, increased market development and world class execution. We have a tremendous opportunity to expand the business in Nepal and to capitalize on the economic growth agenda that awaits Nepal as a country. This growth opportunity is expected to attract intense competition and your Company is well poised to defend and expand its market leadership positions in a determined manner.

We not only leverage upon our access to world-class resources and research and development as being a part of your Company but also continuously focus upon the key building blocks of our success. We are, therefore, optimistic about our growth prospects.

# APPRECIATIONS AND ACKNOWLEDGMENTS

Your Directors place on record their deep appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled your Company to remain as an industry leader. The Board wishes to thank the Managing Director and his leadership team for their continued leadership excellence and leading the team during the difficult periods

Your Directors would also like to acknowledge the excellent contribution by Hindustan Unilever Limited and Unilever to your Company in providing the latest innovations, technological improvements and marketing inputs across almost all categories in which it operates. This has enabled the Company to provide higher levels of consumer delight through continuous improvement in existing products and introduction of new products.

The Board places on record its appreciation for the support and co-operation your Company has been receiving from its suppliers, redistribution stockists, retailers, business partners and others associated with the company as its trading partners. Your Company looks upon them as partners in its progress and has shared with them the rewards of growth. It will be your Company's endeavour to build and nurture strong links with the trade based on mutuality of benefits, respect for and co-operation with each other, consistent with consumer interests.

Your Directors also take this opportunity to thank all Shareholders, Clients, Vendors, Banks, Government and Regulatory Authorities and Stock Exchanges, for their continued support.

As, Mr. Bharat Bahadur Thapa and Mr. Dinesh Thapar have resigned as an Independent Director and Director respectively, the Board would like to thank them for their contribution towards the Company and wishes them every success in their future endeavours.

On behalf of the Board

Pradeep Banerjee  
Chairman  
5th September 2019, Thursday

## DIRECTORS

Mr. Pradeep Banerjee – Chairman  
Mr. Ashish Rai – Managing Director  
Mr. Ravi Bhakta Shrestha  
Mr. Subhas Bajracharya – Independent Director  
Mr. Dev Bajpai  
Ms. Asha Gopalakrishnan  
Ms. Priya Nair

## COMPANY SECRETARY

Ms. Shalini Jhunjunwala

## AUDITORS

CSC & Co., Chartered Accountants  
Kathmandu, Nepal

## BANKERS

Standard Chartered Bank Limited  
Bank of Kathmandu  
Nepal State Bank of India  
Rastriya Banijya Bank  
Himalayan Bank Limited

## REGISTERED OFFICE & FACTORY

Basamadi- 3  
P.O. Box-11, Hetauda  
Dist. Makwanpur, Nepal  
Tel: 977-57-411047

## CORPORATE OFFICE

Unilever Nepal Limited  
City Square Building  
2nd and 3rd Floor  
New Baneswor-10, Kathmandu  
Tel: 977-1-4785963  
GPO Box: 7765, Kathmandu, Nepal

## SHARE REGISTERED

Sunrise Capital Limited  
Kamalpokhari  
P. Box No. 12055  
Tel: 977- 01- 4428550 / 4428660  
Kathmandu, Nepal

## ADDITIONAL DISCLOSURE AS PER SECTION 109(4) OF THE COMPANIES ACT, 2063

1. Details of Share Forfeiture: - No shares have been forfeited till date.
2. Transactions with subsidiaries: - The company has no subsidiaries.
3. Information provided to the company by its substantial shareholders in the previous financial year: -

Hindustan Unilever Limited, which is the majority shareholder, provided the company all information related to new product innovations, marketing mix, information on price movements of commodities, system related information and technology etc. No information was provided to the company by any other substantial shareholder.

4. Share Purchase by Directors and Officials of the company during the year: -  
Nil
5. Information received on the personal interest of Directors and their close relatives in any agreement / contract entered into by the Company: -

Nil

6. Detail of share buyback during the year: -

The company did not buy back its own shares during the year.

7. Details of internal control systems: -

The internal control system of the company conforms to global standards and follows Unilever international guidelines. This includes:

- a. Operation Manuals, procedures and guidelines for systematic conduct of operations.
- b. Financial policy and accounting guidelines.
- c. Independent internal audit carried out by AP & Associates, Chartered Accountants, Nepal
- d. Periodic review of internal control systems by Management and Audit Committee.

8. Total Management expenses during the year:- NPR in Lakhs

Employee expenses during the fiscal year 1,063

Administrative expenses during the fiscal year 247

9. List of audit committee members, their remuneration and facilities:

Name		Remuneration
Mr. Bharat Bahadur Thapa	**	Chairman (till Dec. 12, 2018)
Mr. Subhas Bajracharya	**	Chairman (w.e.f. Jan. 16, 2019)
Mr. Ravi Bhakta Shrestha	**	Member
Mr. Dev Bajpai	**	Member

During the year, the Audit Committee reviewed the internal audit report and the actions initiated for resolving the issues. Audit committee also reviewed the Business Risks status and reviewed the actions initiated by Management to mitigate & address such Business Risks. The audit committee reviewed annual accounts, significant accounting policies & notes to accounts, additional disclosure as per section 109(4) of the Companies Act, 2063 and preliminary statutory audit report issued by Statutory Auditors (CSC & CO.) and recommended their adoption by the Board of Directors.

(\*\*) During the year, a total amount of NPR 108,000/- was paid as meeting fees to Mr. Bharat Bahadur Thapa, Mr. Ravi Bhakta Shrestha & Mr. Subhas Bajracharya. Moreover, travel expenses of these Audit Committee members for attending the Audit Committee meetings are borne by the company whenever required.

10. Amount receivable by the company from Directors, Managing Director, substantial shareholders and their close relatives and associated firms, companies etc.: -  
Nil.

11. Remuneration, allowances and facilities given to Directors, Managing Director, Chief Executive Officer and Officials during the year:

		NPR/ Lakhs		
S.N.	Particulars	Directors	MD	Managers/Officers/Staff
1.	Meeting Fee	2.43	-	-
2.	Salary & Allowances	-	518.92	1,799.36
3.	Car Facility	No	Yes	Yes
4.	Accommodation	No	Yes	Note (b)
5.	Insurance Coverage	No	No	Yes
6.	Number of Persons	7	1	230

### Notes: -

- a) Office car with driver, fuel and maintenance are provided to the Managing Director, Supply chain Manger, Finance Manager, Sales Manager and Legal Manager.
- b) Unfurnished /Furnished rented accommodation or HRA provided to Expatriate Managers as per terms and conditions of employment of the individuals.
- c) Travel expenses of the Directors, whenever required for attending the Board meetings, are borne by the company.

12. Unclaimed Dividends: -

Total unclaimed dividend is NPR 293.82 lakhs as on Ashad 31st, 2076.

13. Details of sale and purchase of properties pursuant to Section 141

Nil.

14. Details of transactions carried on between the associated companies pursuant to Section 175  
Refer Note 2.2.19 of the financial statement.

15. Other matters required to be disclosed in the director's report by the Companies Act, 2063 or other laws in force: -

Nil.

16. Other relevant issues: - Nil.

# UNILEVER NEPAL LIMITED INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Unilever Nepal Limited

## Report on the audit of the Financial Statements

### Opinion

We have audited the accompanying financial statement of Unilever Nepal Limited ("the Company"), which comprise the statement of financial position as at 16 July 2019, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 16th July 2019 and its financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

### Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Handbook of The Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

We have nothing to report on the other information in the Annual Report. The directors are responsible for the other information presented in the Unilever Nepal Annual Report and Accounts 2018-19 together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Unilever Nepal Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Unilever Nepal Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Unilever Nepal Limited to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the requirements of Company Act 2063

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the statement of financial position, profit or loss, other comprehensive income, changes in equity and cash flows have been prepared in accordance with the provisions of Company Act 2063 and conform to the books of accounts of the company and the books of accounts and records are properly maintained in accordance with the prevailing laws.

During the course of our audit, we did not come across the cases where the Board of Directors or the representative or any employee of the company has acted deliberately contrary to the provisions of the law or caused loss or damage to the company or misappropriated funds of the company, nor have we been informed of any such case by the management.

Place: Kathmandu

Date: 5<sup>th</sup> September, 2019

Jitendra Kumar Mishara  
Partner  
CSC & Co.  
Chartered Accountants



# STATEMENT OF FINANCIAL POSITION

As at 31 Ashad, 2076 (16<sup>th</sup> July 2019)

Figures in NPR

	Note	2075-76	2074-75
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	88,02,12,897	63,65,73,693
Intangible assets	4	10,15,12,828	1,59,17,174
Other non-current assets	6	40,99,708	40,63,414
<b>Total Non-Current Assets</b>		<b>98,58,25,433</b>	<b>65,65,54,281</b>
<b>Current assets</b>			
Inventories	7	82,24,22,530	75,17,36,499
<b>Financial assets</b>			
Trade and other receivables	8	1,16,32,65,370	59,87,45,222
Investments	5	57,40,23,418	83,44,37,122
Cash and cash equivalents	9	21,01,05,770	30,37,13,920
Bank balance other than CCE	10	3,89,61,499	4,70,71,799
<b>Other current assets</b>			
Current tax assets	22	5,84,13,149	(3,25,86,776)
Prepayments		41,70,736	27,35,882
<b>Total current assets</b>		<b>2,87,13,62,472</b>	<b>2,50,58,53,668</b>
<b>Total assets</b>		<b>3,85,71,87,905</b>	<b>3,16,24,07,949</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	9,20,70,000	9,20,70,000
Retained earnings	12	2,23,23,44,179	1,81,14,06,700
<b>Total Equity</b>		<b>2,32,44,14,179</b>	<b>1,90,34,76,700</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	13	1,04,21,301	(15,33,353)
Provisions	14	99,83,537	1,11,44,079
<b>Total Non-Current Liabilities</b>		<b>2,04,04,838</b>	<b>96,10,726</b>
<b>Current Liabilities</b>			
<b>Financial liabilities</b>			
Trade and other payables	15	1,36,42,97,764	97,04,01,604
Provisions	14	14,80,71,124	27,89,18,919
<b>Total Current Liabilities</b>		<b>1,51,23,68,888</b>	<b>1,24,93,20,523</b>
<b>Total Liabilities</b>		<b>1,53,27,73,726</b>	<b>1,25,89,31,249</b>
<b>Total Equity and Liabilities</b>		<b>3,85,71,87,905</b>	<b>3,16,24,07,949</b>

This is the same statement of financial position referred to our report of even date attached

**Pradeep Banerjee**  
Chairman

**Ravi Bhakta Shrestha**  
Director

**Ashish Rai**  
Managing Director

**Jitendra Mishra**  
Partner CSC & Co.  
Chartered Accountants

**Asha Gopalakrishnan**  
Director

**Subhas Bajracharya**  
Independent Director

**Abhishek Jindal**  
Chief Finance officer

**Priya Nair**  
Director

**Dev Bajpai**  
Director

**Shalini Jhunjhunwala**  
Company Secretary

# STATEMENT OF PROFIT AND LOSS

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

Figures in NPR

	Note	For the year 2075-76	For the year 2074-75
Revenue from operations	16	5,75,40,61,451	4,86,83,13,101
Other income	17	51,78,55,476	48,75,90,670
<b>TOTAL INCOME</b>		<b>6,27,19,16,927</b>	<b>5,35,59,03,771</b>
<b>EXPENSES</b>			
Cost of materials consumed	18	3,17,50,14,884	2,55,89,43,560
Changes in inventories of finished goods (including stock-in-trade) and work-in-progress	19	(8,57,77,514)	(44,31,722)
Employee benefits expenses	20	41,23,26,976	36,92,69,061
Depreciation and amortisation expenses	3,4	6,69,35,216	4,50,92,056
Other expenses	21	1,33,19,00,256	1,05,72,14,731
<b>TOTAL EXPENSES</b>		<b>4,90,03,99,818</b>	<b>4,02,60,87,686</b>
<b>Profit before tax</b>		<b>1,37,15,17,109</b>	<b>1,32,98,16,085</b>
Income Tax Expense	22	(30,61,24,813)	(33,04,38,541)
<b>Profit from continuing operations</b>		<b>1,06,53,92,296</b>	<b>99,93,77,544</b>
<b>Net Profit for the year</b>		<b>1,06,53,92,296</b>	<b>99,93,77,544</b>
Basic and Diluted Earnings per share	24	1,157	1,085

This is the same statement of financial position referred to our report of even date attached

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Director

**Shalini Jhunjhunwala**  
Company Secretary

# STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

Figures in NPR

	Note	2075-76	2074-75
<b>Net Profit for the year as per Statement of Profit of Loss</b>		1,06,53,92,296	99,93,77,544
<b>Other comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>			
Actuarial Gain/(Loss) on defined benefit pension schemes	25	35,183	1,23,443
<b>Other comprehensive gain/(loss) for the year, net of tax</b>		35,183	1,23,443
<b>Total Comprehensive gain/(loss) for the year, net of tax</b>		1,06,54,27,479	99,95,00,987

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Director

**Shalini Jhunjunwala**  
Company Secretary

# STATEMENT OF CASH FLOWS

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

Figures in NPR

	Note	2075-76	2074-75
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		1,06,53,92,296	99,93,77,544
Adjustments for:			
Income tax during the year	22	30,61,24,813	33,04,38,541
Depreciation on property, plant and equipment	3	5,56,77,208	4,25,86,621
Amortization of Intangible Assets	4	1,12,58,008	25,05,435
Allowance for inventory obsolescence	7	(78,48,926)	34,82,042
Provision for employee benefits	14	(19,36,078)	(23,65,266)
Other provisions	14	(13,00,37,075)	11,92,71,301
Provision for Bonus	20	15,39,30,091	14,77,57,343
Finance income	17	(5,61,06,281)	(7,64,83,790)
Fixed Assets W/Off	21	28,95,090	-
Loss/ (gain) on sale of Property, plant and equipment	17	-	59,472
Working capital adjustments:			
(Increase)/ decrease in Trade & Other receivables	8	(56,45,20,147)	7,50,19,726
(Increase)/ decrease in Other non-current assets	6	(36,294)	(34,70,413)
(Increase)/ decrease in prepayments		(14,34,854)	(1,47,684)
(Increase)/ decrease in Inventories	7	(6,28,37,105)	(13,51,92,902)
Increase / (decrease) in trade and other payables	15	38,63,96,625	(6,51,17,720)
<b>Cash generated from operations</b>		<b>1,15,69,17,369</b>	<b>1,43,77,20,250</b>
Bonus paid		(14,80,21,742)	(11,89,45,302)
Income Tax Paid		(38,51,70,084)	(33,82,64,441)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>62,37,25,543</b>	<b>98,05,10,507</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Proceeds from sale of Property, Plant and Equipment		-	-
Interest Received		5,61,06,281	7,44,40,278
Acquisition of Property, plant and Equipment	3	(30,22,11,502)	(11,58,79,071)
Purchase of Intangibles	4	(9,68,53,662)	(1,64,91,878)
Decrease/(increase) in Investment on FD		26,04,13,704	32,81,00,000
Decrease/(increase) in Bank balance other than CCE		81,10,300	(1,21,79,315)
Expenses towards employees' housing reserve		-	(10,06,400)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(7,44,34,879)</b>	<b>25,69,83,614</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(64,28,98,814)	(1,17,55,16,946)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(64,28,98,814)</b>	<b>(1,17,55,16,946)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(9,36,08,150)</b>	<b>6,19,77,176</b>
<b>CASH AND CASH EQUIVALENTS,</b>			
<b>Beginning of Year</b>	10	<b>30,37,13,920</b>	<b>24,17,36,745</b>
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	9	<b>21,01,05,770</b>	<b>30,37,13,920</b>

This is the same statement of cash flows referred to our report of even date attached

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Chairman

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Director

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Managing Director

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Chief Finance officer

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Director

**Dev Bajpai**  
Director

**Shalini Jhunjunwala**  
Company Secretary

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

Figures in NPR

	Share capital	Employees' Housing reserve	Retained earnings	Total
<b>Balance at 1 Shrawan 2074</b>	<b>9,20,70,000</b>	<b>79,70,65,725</b>	<b>1,18,51,35,388</b>	<b>2,07,42,71,113</b>
Profit for the year	-	-	99,93,77,544	99,93,77,544
Other comprehensive income	-	-	1,23,443	1,23,443
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>99,95,00,987</b>	<b>99,95,00,987</b>
Transfer to Employees' Housing Reserve	-	(10,06,400)	-	(10,06,400)
Dividends to shareholders	-	-	(1,16,92,89,000)	(1,16,92,89,000)
<b>Balance at 32nd Ashad 2075</b>	<b>9,20,70,000</b>	<b>79,60,59,325</b>	<b>1,01,53,47,375</b>	<b>1,90,34,76,700</b>
Profit for the year	-	-	1,06,53,92,296	1,06,53,92,296
Other comprehensive income	-	-	35,183	35,183
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,06,54,27,479</b>	<b>1,06,54,27,479</b>
Transfer to Employees' Housing Reserve	-	-	-	-
Dividends to shareholders	-	-	(64,44,90,000)	(64,44,90,000)
<b>Balance at 31st Ashad 2076</b>	<b>9,20,70,000</b>	<b>79,60,59,325</b>	<b>1,43,62,84,854</b>	<b>2,32,44,14,179</b>

This is the same statement of cash flows referred to our report of even date attached

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Chairman

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Company Secretary

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 1. Corporate information

Unilever Nepal Limited ("Company") is a public limited company, incorporated under the Company Act, 2063 of Nepal and listed in the Nepal Stock Exchange Ltd. The registered office of the Company and the principal place of business are located at Basamadi-3, Hetauda, Makwanpur, Nepal.

The main objectives of the Company are to manufacture, sell and distribute Detergents, Scourers, Laundry Soaps, Toilet Soaps, Personal and Beauty Care Products and Food Products.

## 2. Significant Accounting Policies

### 2.1 Basis of Preparation

#### 2.1.1 Statement of compliance

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Company Act, 2063 of Nepal.

2.1.2 The Financial Statements are authorized for issue by the Board of Directors on 19th Bhadra, 2076 (5th September, 2019).

#### 2.1.3 Going concern

The financial statements are prepared on the assumption that the Company is a going concern.

#### 2.1.4 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Defined benefit scheme, surpluses and deficits are measured at fair value.

#### 2.1.5 Critical accounting estimates

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes: -

##### a) Provision for employee benefits

The cost of the defined benefit plans, other long-term employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds due to absence of quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available Nepal Assured Lives Mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about Employee benefit obligations are given in note 2.2.14, note 14, note 25 and note 25a.

##### b) Recognition of deferred tax liabilities

Deferred tax liabilities are recognized for taxable temporary differences.

The Company has based its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Further details about deferred tax are given in note 2.2.15 and note 13.

### c) Provision for depreciation and amortization

Depreciation and amortization is calculated over the estimated useful lives of the assets. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company has based its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### 2.1.6 Functional and presentation currency

The financial statements are prepared in Nepalese Rupees, which is the Company's functional currency.

#### 2.1.7 Capital Management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company.

The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the Company is based on management's judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company aims to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor and market confidence and to sustain future development and growth of its business. The Company's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashad, 2076 and 32nd Ashad, 2075.

#### 2.1.8 Recent Accounting Developments

There are no recent accounting developments which has impact on the financial statements of the Company.

### 2.2 Significant accounting policies and Notes to accounts

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated. The presentation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed.

#### 2.2.1 Impairment of non-financial assets (excluding inventories and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is also done for whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have been decreased. If any such indication exists the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to

the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversal are included in profit or loss, except to the extent they reverse gains/loss previously recognized in other comprehensive income.

#### 2.2.2 Foreign Currency Transactions

Transactions entered into by the Company in a currency other than the currency of primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Statement of Profit or Loss. Unsettled foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss statement.

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes. Differences between the forward exchange rates and the exchange rates at the end of the reporting date are recognized as income or expense at the end of the reporting date. Profit/loss arising on cancellation or renewal of forward exchange contracts is recognized as income/expense for the period.

#### 2.2.3 Property, plant and equipment

Items of property, plant and equipment are initially measured at cost. Cost includes the purchase price and other directly attributable costs up to the commissioning/ available for use of property, plant and equipment. Cost also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Subsequently property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Tangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and recognized immediately in statement of profit or loss

#### 2.2.4 Depreciation

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their depreciable amount over the expected useful economic lives.

Depreciation is provided on a pro-rata basis on the straight-line method based on the estimated useful life of the assets determined by the management.

The estimate useful lives and corresponding rates at which the assets are depreciated are as follows:

Particulars	Useful Life (Years)	Depreciation Rate (%)
Building	40.00	2.50
Plant and Machinery	14.29	7.00
Office Equipment	14.29	7.00
Furniture and Fixtures	14.29	7.00
Computer Accessories	5.00	20.00

## 2.2.5 Lease

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

When all the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are taken to the profit or loss statement over the lease term.

The Company is a lessee under operating lease arrangements. Payments under such leases are charged to the Statement of Profit and Loss on a straight-line basis over the primary period of the lease.

**Lease rental expense:** The Company leases office premises, residential apartment and godown space under operating leases from various parties. These leases typically run for a period of 1 to 5 year with an option to renew with the mutual consent after the expiry of initial leaser term. Future minimum rentals payable under non-cancellable operating leases as at balance sheet date are, as follows:

Period	Figures in NPR	
	As at 31 <sup>st</sup> Ashad 2076	As at 32 <sup>nd</sup> Ashad 2075
Less than one year	73,073,315	33,717,305
One year to five years	125,305,539	55,715,797
More than five years	123,857,245	29,101,875
<b>Total</b>	<b>322,236,099</b>	<b>118,534,977</b>

## 2.2.6 Intangible Assets

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any.

Purchased computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the software. These costs are amortized over the estimated useful life of 5 years.

## 2.2.7 Production at Third Party Manufacturing Locations

The Company has made arrangements for manufacturing of its licensed products with other third-party manufacturers against payment of fixed conversion cost only. The purchase value of materials, conversion cost paid to such manufacturers and stock of inventories (material as well as finished goods) related to such activities has been accounted for in the books of the Company.

## 2.2.8 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. The losses arising from impairment are recognized in the statement of profit or loss.

## 2.2.9 Inventories

Inventories are initially recognized at cost and subsequently at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted as follows:

Raw Material	-	At actual cost on weighted average basis
Packing Material	-	At actual cost on weighted average basis
Promotional Material	-	At actual cost on weighted average basis
Finished goods	-	At the cost of raw materials, packing materials, a proportionate share of fixed and variable production overheads incurred in bringing the inventories to their present location and condition
Work in Progress	-	At the cost of raw materials, packing materials, a proportionate share of fixed and variable production overheads incurred in bringing the inventories to their present location and condition
Consumables & Spares	-	At actual cost on weighted average basis.
Goods in Transit	-	At actual cost

Full provision is made for an obsolete stock that cannot be used or is damaged or defective or cannot be sold in the market. Provision is adjusted in the income statement to the extent of usage of obsolete inventory in the period of its usage.

## 2.2.10 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand and balance in banks.

## 2.2.11 Impairment of financial assets

The carrying amounts of the Company's financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit or loss statement.

## 2.2.12 Share capital

Financial Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's equity shares are classified as equity instruments.

## 2.2.13 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

The Company classifies an asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The Company classifies a liability as current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 2.2.14 Employment Benefits

The Company has schemes of employment benefits namely provident fund, employee gratuity, other retirement benefit and accumulated leave payable as per employee service manual in accordance with Labor Act, 2074.

### Defined contribution schemes

Contributions to defined contribution schemes (Provident fund & Gratuity) are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions. Contributions to defined contribution schemes for local employees are deposited with Employees Provident Fund (Karmachari Sanchaya Kosh) and Citizen Investment Trust for Provident Fund and Gratuity amount respectively.

Contributions to provident and pension funds of managers seconded from Hindustan Unilever Limited are paid into the provident/pension fund maintained by Hindustan Unilever Limited. Contributions to defined contribution schemes such as provident fund are charged to the income statement as incurred.

As per the provision of new Labor Act enacted and effective from 19th Bhadra, 2074, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution of 8.33% of basic salary needs to be deposited on monthly basis to the separate Social Security Fund. Total gratuity obligation calculated as per previous labor act till the transition date also needs to be deposited to the Social Security Fund. As on date, the Company has set aside net obligation amount (net of fund balance in CIT) as statutory dues payable in current liabilities. From FY 2076/77 onwards, gratuity amount will be transferred to Social Security Fund.

#### **Defined benefit schemes - Other retirement benefits scheme**

The Company provides for defined benefits in the form of other retirement benefits. The Company's liability towards such defined benefit plans is determined based on valuations, as at the Balance Sheet date, made by independent actuaries using the projected unit credit method discounted to its present value using yields available on Government bonds.

Interest is calculated by applying the discount rate to the defined benefit obligation. The Company recognizes the following changes in the defined benefit obligation to the profit or loss statement:

- Service costs comprising current service costs and past-service costs
- Interest expenses

Any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise.

The classification of the Company's net obligation into current and non-current is as per the actuarial valuation report.

Other retirement benefit is an unfunded scheme where a fixed amount is paid at the time of the separation. This fixed amount to be paid is determined on basis of years of service and only applicable to the shop floor workmen who has completed at least 5 years of service.

#### **Other long-term employment benefits**

Employees have a statutory entitlement to payment of 90 days cash equivalent of accumulated un-availed home leave and accumulated leave excess of 90 days will be encashed while in service. Also, employee have a statutory entitlement to payment of 45 days cash equivalent of accumulated sick leave and accumulated sick leave excess of 45 days will be encashed while in service. The obligation is calculated using the projected unit credit method and is discounted to its present value using yields available on Government Bond. Service cost, interest cost and actuarial gain/loss are recognized in the profit or loss statement.

### **2.2.15 Taxation**

#### **Income Tax**

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

#### **Current tax**

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

#### **Income tax rates applicable to company:**

Income from Manufacturing and sale of goods: 20% (2074/75: 20%)  
Income from Service Charges on ELIDA Sales/access fees: 25% (2074/75: 25%)  
Income from Import and sale of goods: 25% (2074/75: 25%)

The Company has availed the rebate of 15% on tax liabilities on Income from Manufacturing and sale of goods under section 11 (3 chha) of Income Tax Act, 2058.

#### **Deferred tax**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

The principal temporary difference arises from depreciation of fixed assets, provision for post-retirement benefit and other employee benefit, provision for CSR, allowance for inventory obsolescence and other provisions.

### **2.2.16 Trade and other payables**

Trade and other payables are initially recognized at fair value and subsequently carried at amortized cost. The carrying amount is considered as approximate fair value due to short maturity of these instruments.

### **2.2.17 Revenue Recognition**

The following specific criteria are used for the purpose of recognition of revenue.

#### **Sale of Goods**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, the Company retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

Significant risk and rewards of ownership is transferred upon the products leaving the carrying and forwarding agent (C&FA) and/or factory and/or establishment from which the products are being sold. However, for ensuring more efficient transportation of products, the company at the request of the customer for economies on freight, has arranged transportation for delivery of the products to the premises of the customer. In such event, it is agreed with the customer that the title to the products shall be deemed to have passed on to the customer upon delivery of the products by the company to the transporter and this date shall be the date of delivery of the products being sold at ex-depot.

Sales are recognized net of trade discounts, price reduction and indirect coverage subsidy, rebates, Incentives, sales taxes and excise duties (on goods manufactured and outsourced).

#### **Service Charges on ELIDA Sales**

Income from services rendered is recognized based on agreements/arrangements with the customers as the service is performed using the proportionate completion method when no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering the service and is recognized net of value added tax.

Income earned from rendering Management & Marketing services to a private limited company in Nepal for marketing and selling Unilever products is recognized on rendering of the services and grouped under the Other Income as 'Service Charges on ELIDA Sales'. The company incurs some cost for generating this income but the costs are embedded with regular operating costs of the company.

#### **Other income- Access fees**

Income from access fees is recognized based on agreements/arrangements with the customers on accrual basis when no significant uncertainty exists regarding the amount of the consideration that will be derived and is recognized net of value added tax.

Access fees is earned from granting right to access to the distribution network of Unilever Nepal Limited to a private limited company for the marketing and distribution of Unilever products imported from other countries as manufactured and/or marketed by holding company of UNL and/or any parent group companies of UNL. This income is recognized based on sales made to UNL distributor by the private limited company.

#### **Interest Income**

Interest income is recognized on the time proportion basis

### **2.2.18 Expenses**

#### **Operating lease payments**

Payments made under operating leases are recognized in the profit or loss statement on a straight-line basis over the term of the lease.

#### **Staff quarters**

Staff quarter is accounted in accordance with the provisions of Labor Act, 2048. There is no requirement of allocating fund for staff quarters as per the provision of new Labor Act enacted and effective from 19th Bhadra, 2074.

#### **Staff bonus**

Staff bonus is accounted in accordance with the provisions of the Bonus Act, 2030. The Company has calculated and charged the staff bonus as below: -

Figures in NPR	
Particulars	2075-76
Profit before Tax (PBT)	1,371,517,109
Add: Bonus allocation included in PBT	153,930,091
Add: CSR allocation as per Industrial Enterprise Act	13,853,708
<b>PBT for bonus calculation</b>	<b>1,539,300,908</b>
<b>Bonus @ 10%</b>	<b>153,930,091</b>

#### Provision for Corporate Social Responsibilities (CSR)

CSR expenses is accounted as per Industrial Enterprises Act 2016 (2073 BS) (the "Act") introduced with effect from Kartik-06, 2073 repealing the Industrial Enterprises Act 1992 (2049 BS) (the "Previous Act").

Section 48 of Industrial Enterprises Act 2016 (2073 BS) makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the "CSR Requirement").

The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors that are prescribed in the rules framed under the Act. The progress report of the utilization of the fund collected for CSR is required to be submitted to the relevant government authorities within three months from expiry of the financial year.

The Company has calculated and allocated CSR as required by Industrial Enterprises Act 2016 (2073 BS) as below: -

Figures in NPR	
Particulars	2075-76
Profit before Tax (PBT)	1,371,517,109
Add: CSR allocation as per Industrial Enterprise Act	13,853,708
<b>PBT for CSR provision</b>	<b>1,385,370,817</b>
<b>CSR allocation as per Industrial Enterprise Act @ 1%</b>	<b>13,853,708</b>

#### Auditors' remuneration and expenses

Figures in NPR	
Particulars	2075-76
Statutory Audit fees	425,000
Tax audit fees	210,000
Group reporting audit fees	190,000
Fees for other audit related services	556,650
Reimbursement of out-of-pocket expenses	695,855
	<b>20,77,505</b>

#### 2.2.19 Related Party Transactions:

##### (a) Relationship

The company is controlled by Hindustan Unilever Limited which owns 80% of the company's shares. Sibkrim Holdings Pvt. Ltd, holds 5% of the company's share and remaining 15% of shares are widely held by general public.

##### Relationship

Holding Company  
Ultimate Holding Company  
Fellow and Group Subsidiaries

##### Related Parties

Hindustan Unilever Ltd.  
Unilever PLC  
Unilever India Export Limited  
PT. Unilever Oleochemical, Indonesia  
Unilever UKCR limited, UK  
Unilever N.V, Netherland  
Unilever Europe Business Centre B.V. , Netherland  
Unilever Asia Pvt. Ltd.  
Sibkrim Holdings Pvt. Ltd.  
National Soaps Industries (Pvt.) Ltd.  
Ashish Rai

Significant Influence

Company with a common director

Key Management Personnel

##### (b) Transactions with key management personnel

##### Key Management Personnel compensation

Figures in NPR		
Particulars	Current year	Previous Year
Short-term employee benefits	51,892,918	29,779,035
Post-employment benefits	Nil	Nil
Other long-term benefits	Nil	Nil
Termination benefits	Nil	Nil
Share based payment	Nil	Nil

Note: - The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Also, the liabilities for leave encashment are provided on an actuarial basis for the company, so the amounts pertaining to the key management personnel are not included above.

**(c) Other related party transactions**

Figures in NPR

Particulars	Transactions		Outstanding Balance		
	Current Year	Previous Year	Current Year	Previous Year	
Holding company (HUL)	Royalty	125,997,915	110,918,303	107,098,228	94,278,699
	Dividend	515,592,000	935,431,200	-	-
	SAP Implementation Cost	71,252,657	-	60,564,758	-
Ultimate holding company (Unilever PLC)	Royalty	28,867,002	24,303,474	45,194,904	20,657,953
Fellow and Group Subsidiaries	Purchase of Raw Materials from Unilever India Export Limited	126,918,403	3,658,849	21,637,480	-
	Purchase of Raw Materials from PT. Unilever Oleochemical	99,996,549	16,066,923	35,805,000	-
	Debit note for Training programme to Marketers from Unilever UKCR limited, UK	-	-	165,095	165,095
	Debit note from Unilever N.V, Netherland for MCIP investment by ex-MD	-	-	1,836,005	1,836,005
	Unilever Europe Business Centre B.V., Netherland for Fair Share Cost	94,716,734	-	80,509,225	-
	Unilever Europe Business Centre B.V., Netherland for ETS Cost	37,953,054	-	32,260,096	-
Company with a common director	Unilever N.V, Netherland for Cross Charge	532,175	-	532,175	-
	Processing Charges to National Soaps Industries (Pvt.) Ltd	-	462,099	-	-

**Terms and conditions of transactions with related parties**

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st Ashad 2076, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. 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.

**2.2.20 Provisions and Contingencies**

Provisions are recognized when there is 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 there is a reliable estimate 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 and discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. These are reviewed at each year end date and adjusted to reflect the best current estimate.

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.

All the contingent liabilities and the guarantees given by the Company to the third parties are disclosed in the notes to the financial statements.

**Contingent Liabilities:****a. Unexpired Letters of Credits and acceptance**

Unexpired irrevocable letter of credit NPR 59,801,994 and acceptance outstanding NPR 93,725,754 (2074-75 NPR 75,559,454 and NPR 76,200,158, respectively).

**b. Income tax matters**

The Large Taxpayers Office ("LTO") has opened self-assessment returns filed by the Company for the financial years 2065-66, 2066-67, 2067-68, 2068-69, 2069-70, 2070-71 and 2071-72. Detail of the same is as below:

Figures in NPR

Fiscal Year	Case lying at	Additional Demand	Recognized as Contingent Liability
2008-09 (2065/66)	Administrative Review, IRD	4,526,110	2,546,209
2009-10 (2066/67)	Administrative Review, IRD	73,890,673	62,221,180
2010-11 (2067/68)	Administrative Review, IRD	96,945,591	79,962,142
2011-12 (2068/69)	Administrative Review, IRD	90,444,408	69,729,814
2012-13 (2069/70)	Administrative Review, IRD	33,320,920	6,683,130
2013-14 (2070/71)	Large Tax officer (LTO)	64,676,170	48,625,342
2014-15 (2071/72)	Large Tax officer (LTO)	66,568,648	25,470,620
<b>Total</b>		<b>430,372,520</b>	<b>295,238,437</b>

**c. Value Added Tax (VAT) Matters**

The Company has filed appeals with the Administrative Review for additional demand raised by the LTO on account of VAT for the financial years 2065-66, 2066-67, 2067-68, 2069-70, 2070-71 and 2071-72. Detail of the same is as below:

Figures in NPR

Fiscal Year	Case lying at	Additional Demand	Recognized as Contingent Liability
2008-09 (2065/66)	Administrative Review, IRD	3,175,485	2,134,087
2009-10 (2066/67)	Administrative Review, IRD	6,169,181	-
2010-11 (2067/68)	Administrative Review, IRD	5,828,399	221,805
2012-13 (2069/70)	Administrative Review, IRD	14,598,453	-
2014-15 (2071/72)	Large Tax officer (LTO)	577,186	577,186
<b>Total</b>		<b>30,348,704</b>	<b>2,933,078</b>

**d. Labor dispute case**

There was an ongoing case from left staff against the company where the employee was charged of fraud which has been settled on 12th Shrawan 2076 (after the balance sheet date). As on 31st Ashad 2076, provision has been provided amounting NPR 4,725,882 which shall be paid by Unilever to the employee as financial support as per the agreement signed on the successful settlement or withdrawal of the case.

**e. Bank guarantee issued on behalf of the Company**

Company has taken following Bank guarantees:

Issued to	Purpose	Amount NPR	Beginning on	Valid till
Department Of Customs	Exim code certificate	300,000	24-Jestha-2076	01-Ashad-2077
Green Hands Nepal Pvt. Ltd.	Construction of Godown	8,799,120	07-Jestha-2076	02-Bhadra-2076

**2.2.21 Commitments**

The capital commitment (net of advances) on account of capital works are as:

Figures in NPR

Area	FY 2075-76	FY 2074-75
Expansion of Factory	135,817,554	44,405,040
SAP Automation	1,477,097	-
New Corporate Office	9,899,066	-
<b>Total Capital Commitments</b>	<b>147,193,717</b>	<b>44,405,040</b>



### 2.2.22 Royalty

Royalty payable to Hindustan Unilever Limited, India and Unilever PLC, London for use of trademark of certain products has been accrued based on approval received from Department of Industry/ Nepal Government

### 2.2.23 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals of accruals of past or future cash receipts or payments. The cash flows from regular revenue generating & investing activities of the company are segregated.

### 2.3 Financial risk management objectives and policies

The Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

#### Market risk

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;
- Commodity price risk; and
- Interest rate risk

The above risks may affect the Company's income and expenses, or the value of its financial instruments. The objective of the Company's management of market risk is to maintain this risk within acceptable parameters, while optimizing returns. The Company's exposure to and management of, these risks is explained below: -

POTENTIAL IMPACT OF RISK	MANAGEMENT POLICY
<p><b>1. CURRENCY RISK</b></p> <p>The Company is subject to the risk that changes in foreign currency values impact the Company's imports of raw material and property, plant and equipment.</p> <p>As at 31st Ashad 2076, there is no unhedged exposure to the Company on holding financial assets (trade receivables) and liabilities (trade payables) other than in their functional currency.</p>	<p>The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and Euro.</p> <p>The aim of the Group's approach to management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all years presented.</p> <p>The Company manages currency exposures within prescribed limits, through use of forward exchange contracts. Foreign exchange transactions are fully covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time.</p>
<p><b>2. COMMODITY PRICE RISK</b></p> <p>The Company is exposed to the risk of changes in commodity prices in relation to its purchase of its raw materials especially vegetable oils/Linear Alkyl Benzene Sulphonic Acid.</p>	<p>The objective of the Company is to minimize the impact of commodity price fluctuations. The Company has undertaken various cost savings programmes along with judicious pricing, without compromising on the competitiveness of brand investments, both in terms of technology as well as advertising and promotion.</p>
<p><b>3. INTEREST RATE RISK</b></p> <p>Investment in fixed deposits at fixed rates expose the Company to fair value interest rate risk.</p>	<p>The Company invests in the term deposits for a period of less than one year and there is no significant fair value interest rate risk pertaining to the said deposits.</p>

The detail of forward exchange contracts outstanding as at balance sheet date are as under:

Currency exchange	USD/NPR		EURO/NPR	
	2075-76	2074-75	2075-76	2074-75
Number of Buy contracts	1	4	-	-
Aggregate "buy" foreign currency	136,056	434,300	-	-

#### Commodity price risk

The Company is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of raw materials and therefore require a continuous supply of the same.

The Company manages this risk by purchasing materials and supplies from the supplier identified by the group and the Company has long term relation with the supplier.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a monetary loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

##### - Trade receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and shipments to all customers are covered by bank guarantees.

##### - Cash deposits

Credit risk from balances with banks and financial institutions are managed by maintaining the balances with highly reputed Commercial banks only.

##### - Investment in fixed deposits

Credit risk for investments in fixed deposits are managed by depositing the amount with highly reputed Commercial banks only.

#### 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 to 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. A material and sustained shortfall in our cash flow could create potential business continuity risk.

The Company maintained a cautious funding strategy, with a positive cash balance throughout the year ended 31st Ashad, 2076 and 32nd Ashad, 2075. This was the result of cash delivery from the business. Cash flow from operating activities provides the funds to service the financing of financial liabilities on a day-to-day basis.

The Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to optimize its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

### 2.4 Segment reporting

The Company has only one business segment i.e. dealing in Fast-moving consumer goods (FMCG). The FMCG business mainly consists of products like detergents, scourers, laundry soaps, toilet soaps, skin care creams, other personal products and food products. Manufacturing and sales of food product has been started from this financial year and its volume as compared to other products is insignificant, hence it is not treated as a separate segment. Except food products, all other products have similar risks and returns because of similar nature of products, common consumer segments, similar production processes and common distribution channel. The chief operating decision maker and all functional managers reviews the operating results of the business as a whole. Further, internal organizational and management structure of the Company is not based on product differentiation.

### 2.5 Additional Information

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 3. Property, plant and equipment:

Figures in NPR

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture and Fixture	Computers	Under Construction	Total
<b>Cost</b>								
Balance at 1st Shrawan 2074	56,15,140	15,35,21,915	50,65,18,538	1,27,20,196	60,45,377	1,65,77,075	19,21,16,901	89,31,15,142
Additions	-	7,11,845	7,17,74,410	29,62,251	54,51,796	26,09,410	3,23,69,359	11,58,79,071
Transfer to PPE	-	-	17,75,70,287	-	-	-	(17,75,70,287)	-
Disposals	-	-	-	-	-	(1,52,000)	-	(1,52,000)
Balance at 32nd Ashad 2075	56,15,140	15,42,33,760	75,58,63,235	1,56,82,447	1,14,97,173	1,90,34,485	4,69,15,973	1,00,88,42,213
Additions	-	2,38,64,186	12,28,30,204	1,33,39,704	7,08,90,824	1,20,05,640	5,92,80,943	30,22,11,502
Transfer to PPE	-	-	4,28,11,457	-	-	-	(4,28,11,457)	-
Disposals	-	-	(84,99,672)	(8,59,307)	(8,22,547)	(17,09,415)	-	(1,18,90,942)
Pro Balance at 31st Ashad 2076	56,15,140	17,80,97,946	91,30,05,224	2,81,62,844	8,15,65,450	2,93,30,710	6,33,85,459	1,29,91,62,773
<b>Depreciation and impairment losses</b>								
Balance at 1st Shrawan 2074	-	7,79,86,175	22,80,25,258	90,81,341	30,87,176	1,15,94,477	-	32,97,74,427
Charge for the year	-	30,37,159	3,66,39,830	5,09,974	3,64,080	20,35,578	-	4,25,86,621
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(92,528)	-	(92,528)
Balance at 32nd Ashad 2075	-	8,10,23,334	26,46,65,088	95,91,315	34,51,256	1,35,37,527	-	37,22,68,520
Charge for the year	-	38,34,946	4,43,14,256	11,20,026	30,68,908	33,39,072	-	5,56,77,208
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	-	(59,95,473)	(8,05,277)	(5,20,279)	(16,74,823)	-	(89,95,852)
Balance at 31st Ashad 2076	-	8,48,58,280	30,29,83,871	99,06,064	59,99,885	1,52,01,776	-	41,89,49,876
<b>Net book value</b>								
At 1st Shrawan 2074	56,15,140	7,55,35,740	27,84,93,280	36,38,855	29,58,201	49,82,598	19,21,16,901	56,33,40,715
At 32nd Ashad 2075	56,15,140	7,32,10,426	49,11,98,147	60,91,132	80,45,917	54,96,958	4,69,15,973	63,65,73,693
At 31st Ashad 2076	56,15,140	9,32,39,666	61,00,21,353	1,82,56,780	7,55,65,565	1,41,28,934	6,33,85,459	88,02,12,897
Gross carrying amount of any fully depreciated property, plant and equipment's that are still in use	-	-	10,79,09,178	67,24,823	18,17,052	63,33,781	-	12,27,84,834

### 2.5.1 Licensed/Installed Annual capacities

Particulars	Licensed Capacity		Installed Capacity	
	Current Year(Mt)	Previous Year(Mt)	Current Year(Mt)	Previous Year(Mt)
Detergents/Scourers/Laundry	52,950	52,950	42,500	42,500
Toilet Soaps	10,000	10,000	10,000	10,000
Personal Products	18,231	18,231	10,335	10,335
Soap Noodles	11,660	11,660	11,660	11,660
Tea	5,000	5,000	5000	-
Vanaspati	10,000	10,000	-	-

### 2.5.2 Production/Purchases of Finished Goods

Particulars	Current Year(Mt)	Previous Year(Mt)
Detergents/Scourers/Laundry *	18,257	18,174
Toilet Soaps	6,117	5,461
Personal Products	8,097	6,551
Foods	400	-
<b>Total</b>	<b>32,871</b>	<b>30,186</b>

\*Produced at third Party locations

### 2.5.3 Sales

Particulars	Current Year		Previous Year	
	M.T.	NPR	M.T.	NPR
Detergents/Scourers/Laundry	17,979	1,160,882,177	18,124	1,156,356,706
Toilet Soaps	6,268	1,424,573,659	5388	1,223,445,561
Personal Products	7,974	3,558,595,053	6444	2,673,162,521
Foods	333	106,778,242	-	-
Less: incentive, discount and others		(496,767,680)		(184,561,688)
<b>Total</b>	<b>32,554</b>	<b>5,754,061,451</b>	<b>29,956</b>	<b>4,868,313,101</b>

### 2.5.4 Closing Stock of FG

Particulars	Current Year		Previous Year	
	M.T.	NPR	M.T.	NPR
Detergents/Scourers/Laundry *	969	50,998,509	691	32,145,934
Toilet Soaps	434	62,788,229	585	89,964,669
Personal Products	701	175,893,197	579	113,034,587
Foods	68	14,116,869	-	-
<b>Total</b>	<b>2,172</b>	<b>303,796,804</b>	<b>1855</b>	<b>235,145,190</b>

\*Produced at third party manufacturing locations

### 2.5.5 Material Consumed including Changes in inventories of finished goods and work-in-progress

Particulars	Current Year		Previous Year	
	M.T.	NPR	M.T.	NPR
Raw, Chemicals, Perfumes etc.	28,883	2,317,425,330	25,386	1,829,460,419
Packing Materials	-	85,75,89,553	-	725,985,276
Net Change in WIP	(120)	(17,125,900)	(83)	(6,999,152)
Finished Goods Variance	(317)	(68,651,614)	(229)	2,567,430
<b>Total</b>	<b>28,446</b>	<b>3,08,92,37,369</b>	<b>25,074</b>	<b>2,551,013,973</b>

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 4. Intangible assets:

	Figures in NPR	
	Computer Software	Total
Balance at 1st Shrawan 2074	24,06,132	24,06,132
Additions - Externally acquired	1,64,91,878	1,64,91,878
Other acquisitions internally developed	-	-
Balance at 32nd Ashad 2075	1,88,98,010	1,88,98,010
Additions - Externally acquired	9,68,53,662	9,68,53,662
Disposals	-	-
Balance at 31st Ashad 2076	11,57,51,672	11,57,51,672
<b>Amortisation and impairment losses</b>		
Balance at 1st Shrawan 2074	4,75,401	4,75,401
Charge for the year	25,05,435	25,05,435
Disposals	-	-
Balance at 32nd Ashad 2075	29,80,836	29,80,836
Charge for the year	1,12,58,008	1,12,58,008
Disposals	-	-
Balance at 31st Ashad 2076	1,42,38,844	1,42,38,844
<b>Net book value</b>		
At 1st Shrawan 2074	19,30,731	19,30,731
At 32nd Ashad 2075	1,59,17,174	1,59,17,174
At 31st Ashad 2076	10,15,12,828	10,15,12,828
Gross carrying amount of any fully amortised intangibles that are still in use	-	-

## 5. Investments

	Figures in NPR			
	Maturity Period	Interest rate	2075-76	2074-75
Fixed Deposits in banks				
	1 Year	9%	2,40,23,418	3,10,50,820
	6 months	8.5% to 9.5%	55,00,00,000	80,33,86,302
<b>Total</b>			<b>57,40,23,418</b>	<b>83,44,37,122</b>

Of the total investment in fixed deposits, NPR 23,900,000 (2074-75: NPR 31,000,000) has been pledged with a bank for the purpose of extending housing loans to the employees.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 6. Other non-current assets:

	Figures in NPR	
	2075-76	2074-75
Capital advance	40,99,708	40,63,414
<b>Total</b>	<b>40,99,708</b>	<b>40,63,414</b>

## 7. Inventories:

	Figures in NPR	
	2075-76	2074-75
Raw materials	23,66,42,201	26,99,17,639
Packing materials	24,29,24,432	20,54,30,021
Work-in-process	3,66,02,673	1,94,76,773
Finished goods	30,37,96,804	23,51,45,190
Goods in transit	5,38,48,720	8,60,54,095
Promotional Materials	-	10,97,324
Stores and Spares	3,00,29,477	2,38,86,160
Less: Allowance for Obsolescence	(8,14,21,777)	(8,92,70,703)
<b>Total</b>	<b>82,24,22,530</b>	<b>75,17,36,499</b>

Inventories and Trade receivables are pledged against outstanding Letter of Credit as detailed in note no. 2.2.20.

The allowance for Obsolescence has been created for stocks which has been expired or damaged or unusable for any reasons and based on the book value of that inventory.

## 8. Trade and other receivables:

	Figures in NPR	
	2075-76	2074-75
Trade receivables	45,28,25,954	36,54,58,298
Other receivables - Elida Nepal Pvt. Ltd	37,89,32,288	19,96,64,223
Loans and Advances to Employee	27,04,382	17,95,926
Advance to suppliers	21,69,55,089	1,87,63,709
VAT and Custom Deposits	1,19,34,577	1,04,56,368
VAT Receivables / (Payables)	9,83,11,495	(65,13,119)
Other deposit	16,01,585	1,92,384
Other Advances Recoverable in cash or kind of value to be received	-	89,27,433
<b>Total</b>	<b>1,16,32,65,370</b>	<b>59,87,45,222</b>

- The fair values of all the above financial assets are equal to their carrying amounts.
- All the trade receivables are secured against bank guarantees. They are neither past due nor impaired.
- Inventories and Trade receivables are pledged against outstanding Letter of Credit as detailed in note no. 2.2.20.
- Trade receivables are non-interest bearing within the credit period ranging from 21 to 35 days. After credit period interest is charged at the rate 15% p.a.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 9. Cash and Cash Equivalents:

	Figures in NPR	
	2075-76	2074-75
Cash at banks	21,01,05,770	30,37,04,205
Cash on hand	-	9,715
<b>Total</b>	<b>21,01,05,770</b>	<b>30,37,13,920</b>

## 10. Bank balance other than CCE

	Figures in NPR	
	2075-76	2074-75
Unpaid dividend account	2,95,56,830	3,75,28,418
Housing loan account	94,04,669	95,43,381
<b>Total</b>	<b>3,89,61,499</b>	<b>4,70,71,799</b>

## 11. Share capital:

	Figures in NPR	
	2075-76	2074-75
(a) Authorised Shares		
Ordinary shares of Rs. 100 each	30,00,00,000	30,00,00,000
(b) Ordinary shares Subscribed and Paid-up Capital		
	Ordinary share	Ordinary share capital
<b>1 Shrawan 2074</b>	<b>9,20,700</b>	<b>9,20,70,000</b>
Share issue	-	-
<b>32 Ashad 2075</b>	<b>9,20,700</b>	<b>9,20,70,000</b>
Share issue	-	-
<b>31 Ashad 2076</b>	<b>9,20,700</b>	<b>9,20,70,000</b>

### Of Which:

7,36,560 shares held by Hindustan Unilever Limited, Mumbai, India

46,035 shares held by Sibkrim Holdings Pvt. Ltd.

1,38,105 shares held by the general public

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 12. Retained Earnings and Reserves:

	Figures in NPR		
	Employees' housing reserve	Retained earnings	Total
<b>Balance at 1 Shrawan 2074</b>	<b>79,70,65,725</b>	<b>1,18,51,35,388</b>	<b>1,98,22,01,113</b>
Profit for the year	-	99,93,77,544	99,93,77,544
Other comprehensive income	-	1,23,443	1,23,443
Transfer to Employees' Housing Reserve	(10,06,400)	-	(10,06,400)
Dividends to shareholders	-	(1,16,92,89,000)	(1,16,92,89,000)
<b>Balance at 32nd Ashad 2075</b>	<b>79,60,59,325</b>	<b>1,01,53,47,375</b>	<b>1,81,14,06,700</b>
Profit for the year	-	1,06,53,92,296	1,06,53,92,296
Other comprehensive income	-	35,183	35,183
Transfer to Employees' Housing Reserve	-	-	-
Dividends to shareholders	-	(64,44,90,000)	(64,44,90,000)
<b>Balance at 31st Ashad 2076</b>	<b>79,60,59,325</b>	<b>1,43,62,84,854</b>	<b>2,23,23,44,179</b>

### (a) Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognized elsewhere.

### (b) Employees' housing reserve

Employees housing reserve were made up to the financial year 2073-74 as per section 41 of the Labor act 2048. As per new Labor Act, 2074 enacted on Bhadra 19, 2074, allocation of employees housing reserve is not required, so the Company has not made such allocation from previous financial year 2074-75.

## 13. Deferred tax liabilities:

Deferred tax is calculated on temporary differences using a tax rate of 17% (2074-75: 17%). Deferred tax liabilities have been recognized in respect of all temporary differences that results in income tax payable in future periods.

	Figures in NPR	
	2075-76	2074-75
<b>Reconciliation of deferred tax assets</b>		
Opening Balance as on 1 Shrawan	15,33,353	1,59,49,220
Tax income/(expense) during the period recognized in profit or loss	(1,19,54,654)	(1,44,15,867)
Closing balance as on 31 Ashad	<b>(1,04,21,301)</b>	<b>15,33,353</b>

Details of the deferred tax liability, amounts recognized in profit or loss and amounts recognized in other comprehensive income are as follows:

	Figures in NPR	
Particulars	Asset/ (Liability) 2075-76	Charged/ Credited to Profit or Loss 2075-76
Fixed Assets	(3,30,14,358)	(1,19,72,703)
Intangible assets	(13,11,277)	(6,45,182)
Allowance for Obsolescence	1,38,41,702	(13,34,317)
Provision for leave encashment	9,67,668	(4,19,549)
Provision for other retirement benefits	7,65,518	91,641
Provision for CSR expenses	67,12,384	20,57,188
Other provisions	16,17,063	2,68,268
<b>Total</b>	<b>(1,04,21,301)</b>	<b>(1,19,54,654)</b>

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

Particulars	Figures in NPR	
	Asset/ (Liability) 2074-75	Charged/ Credited to Profit or Loss 2074-75
Fixed Assets	(2,10,41,656)	(1,11,92,778)
Intangible assets	(6,66,095)	(5,93,988)
Allowance for Obsolete Inventory	1,51,76,020	5,91,947
Provision for leave encashment	13,87,217	(3,01,686)
Provision for other retirement benefits	6,73,877	(1,21,395)
Provision for CSR expenses	46,55,196	22,83,523
Other provisions	13,48,796	(50,81,489)
<b>Total</b>	<b>15,33,353</b>	<b>(1,44,15,867)</b>

## 14. Provisions:

	Figures in NPR	
	Non-current	
	2075-76	2074-75
<b>Provision for employee benefits</b>		
Provision for Other Retirement Benefits (Refer Note 25)	44,15,608	39,08,428
Provision for Leave Encashment	55,67,929	72,35,651
<b>Total</b>	<b>99,83,537</b>	<b>1,11,44,079</b>

	Current	
	2075-76	2074-75
<b>Provision for employee benefits:</b>		
Provision for Other Retirement Benefits (Refer Note 25)	45,050	55,554
Provision for Leave Encashment	1,24,235	9,24,451
<b>Other Provisions:</b>		
Provision for CSR expenses (Refer Note 2.2.18)	3,94,84,612	2,73,83,507
Miscellaneous provisions (Refer Note A below)	10,84,17,227	25,05,55,407
<b>Total</b>	<b>14,80,71,124</b>	<b>27,89,18,919</b>

### A. Miscellaneous provisions

This primarily includes provision for settlement of ongoing cases of VAT and other matters that are considered as weak and provisions for settlement with third party based on the best estimates of probable liability.

The table below gives information about movement in other provisions:

	Provision for CSR expenses		Miscellaneous provisions	
	2075-76	2074-75	2075-76	2074-75
At the beginning of the year	2,73,83,507	1,39,51,021	25,05,55,407	13,36,89,711
Recognized during the year	1,38,53,708	1,34,32,486	5,43,78,894	24,86,52,470
Utilized during the year	(17,52,604)	-	(19,65,17,074)	(11,95,41,372)
Reversed during the year	-	-	-	(1,22,45,402)
At the end of the year	3,94,84,611	2,73,83,507	10,84,17,227	25,05,55,407
Current portion	3,94,84,611	2,73,83,507	10,84,17,227	25,05,55,407
Non - current portion	-	-	-	-

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 15. Trade and other payables:

	Figures in NPR	
	2075-76	2074-75
Creditors for Goods and Services	39,50,61,629	27,07,90,705
Creditors for Expenses and Other Liabilities	22,76,85,188	22,67,95,920
Advance from Customers	18,49,140	2,63,25,604
Bonus payable	15,39,30,091	14,77,57,343
Employee related accruals	79,42,629	77,83,700
Deposit - Others	10,91,634	5,00,000
Royalty Payable	15,22,93,132	11,49,36,651
Audit fees payable	11,77,219	7,80,643
Others Payable	33,16,90,721	9,84,74,429
TDS Payable	5,20,54,246	1,12,86,556
Excise duty payable	97,77,133	2,15,03,997
Gratuity payable	3,62,564	1,56,74,804
Unclaimed Dividend	2,93,82,438	2,77,91,252
<b>Total</b>	<b>1,36,42,97,764</b>	<b>97,04,01,604</b>

a) The fair values of all the above financial liabilities are equal to their carrying amounts.

b) Trade payables (other than creditors for goods and services) are non-interest bearing and are normally settled on 30 to 60 days terms .

## 16. Revenue from operations:

	Figures in NPR	
	Year ended 2075-76	Year ended 2074-75
Sale of goods	6,25,08,29,131	5,06,87,31,150
Less: Discount and Incentives	(49,67,67,680)	(20,04,18,049)
Less: Provision for sales return	-	-
<b>Total</b>	<b>5,75,40,61,451</b>	<b>4,86,83,13,101</b>

No individual customer accounted for more than 10% of the gross sale of goods during the year (2074-75: Suyash International Pvt. Ltd. accounted for 16.98% of total sale of goods).

## 17. Other income

	Figures in NPR	
	Year ended 2075-76	Year ended 2074-75
Profit/(Loss) on fixed assets sold, scrapped etc. (net)	-	(59,472)
Sale of Scrap	2,29,96,173	1,86,16,950
Elida Service Income	42,75,82,396	36,34,45,989
Access fee	-	41,28,943
Interest Income on bank deposits	5,61,06,281	7,64,83,790
Provision write back	-	1,58,72,283
Foreign exchange gain/(loss)	5,46,848	2,66,445
Miscellaneous income	1,06,23,778	88,35,742
<b>Total</b>	<b>51,78,55,476</b>	<b>48,75,90,670</b>

## NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

### 18. Cost of materials consumed

	Figures in NPR	
	Year ended 2075-76	Year ended 2074-75
Raw materials consumed	2,31,04,47,452	1,82,94,60,419
Packing materials consumed	85,75,89,553	72,59,85,276
Allowance for Inventory Obsolescence	69,77,879	34,97,865
<b>Total</b>	<b>3,17,50,14,884</b>	<b>2,55,89,43,560</b>

### 19. Changes in inventories of finished goods (Including stock-in-trade) and work-in-progress)

	Figures in NPR	
	Year ended 2075-76	Year ended 2074-75
Opening inventories		
Finished goods	23,51,45,190	23,77,12,620
Work-in-progress	1,94,76,773	1,24,77,621
Closing inventories		
Finished goods	(30,37,96,804)	(23,51,45,190)
Work-in-progress	(3,66,02,673)	(1,94,76,773)
<b>Total</b>	<b>(8,57,77,514)</b>	<b>(44,31,722)</b>

### 20. Employee benefits expenses

	Figures in NPR	
	Year ended 2075-76	Year ended 2074-75
Salaries and wages	23,18,28,493	18,30,84,214
Staff Bonus (Refer Note 2.2.18)	15,39,30,091	14,77,57,343
Contribution to provident, gratuity and other funds	1,17,24,584	2,64,63,047
Defined benefits plan expenses (Refer Note 25)	7,65,067	(4,15,641)
Workmen and staff welfare expenses	1,40,78,740.31	1,23,80,098
<b>Total</b>	<b>41,23,26,976</b>	<b>36,92,69,061</b>

## NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

### 21. Other expenses

	Figures in NPR	
	Year ended 2075-76	Year ended 2074-75
Advertising and sales promotion	25,84,68,435	37,68,54,064
AGM Expenses	9,30,912	14,45,770
Audit Fees & Expenses	20,77,505	20,81,400
Board Meeting Exps	8,58,637	17,57,046
Carriage and freight	22,29,15,862	13,94,38,315
CSR Expenses (Refer Note 2.2.18)	1,38,53,708	1,45,59,585
Electricity, Fuel & Water	4,18,68,527	4,63,64,028
Fixed Assets W/Off	28,95,090	-
Insurance	1,49,07,456	1,40,35,396
Legal Expenses	60,36,276	41,62,522
Processing charges	19,63,58,858	15,99,14,351
Professional Services	7,41,36,794	2,65,19,316
Quality Control Charges	26,61,866	4,92,785
Rent	6,42,73,799	3,27,62,493
Repairs others	15,09,295	2,60,640
Repairs to building	43,37,939	18,17,745
Repairs to plant and equipment	2,99,92,965	2,11,05,812
Royalty	15,48,64,917	13,52,19,591
Security Expenses	1,33,31,709	89,38,886
Telephone Expenses	37,83,141	43,12,384
Travelling, Conveyance and Accommodation Expenses	6,01,77,012	4,95,82,553
Technical Support & Share Cost	13,26,69,788	-
Other Expenses	2,89,89,765	1,55,90,049
<b>Total</b>	<b>1,33,19,00,256</b>	<b>1,05,72,14,731</b>

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 22. Income tax

Figures in NPR

	Year ended 2075-76	Year ended 2074-75
<b>Current tax expense</b>		
Current tax on profits for the year	25,72,87,285	24,80,54,898
Adjustment for under provision in prior periods	3,68,82,873	6,79,68,181
<b>Total current tax</b>	<b>29,41,70,158</b>	<b>31,60,23,079</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	1,19,54,655	1,44,15,462
Recognition of previously unrecognized deferred tax assets	-	-
<b>Total tax expense for the year</b>	<b>30,61,24,813</b>	<b>33,04,38,541</b>

### Reconciliation of current tax expense and the accounting profit multiplied by Company's tax rate for 2074-75 and 2075-76:

	Year ended 2075-76	Year ended 2074-75
Accounting profit before income tax excluding Elida service income and trading profit	93,30,21,129	96,22,41,153
Other service income	42,75,82,396	36,75,74,932
Trading Profit	1,09,13,584	-
At Company's statutory income tax rate of 17% for normal operation and 25% for service income and trading profit (2074-75: 17% and 25%)	26,82,37,587	25,54,74,729
Adjustment in respect of Repair & Maintenance allowed upto 7% of respective depreciation base of the pool of the assets	-	-
Adjustment in respect of Depreciation allowed as per the rate prescribed under Income Tax Act	(1,40,64,618)	(1,07,91,542)
Adjustment in respect of Inventory	(13,34,317)	5,91,947
Adjustment in respect of provision for sales return	-	(18,74,570)
Adjustment in respect of provision for leave encashment	(4,19,550)	(3,01,686)
Adjustment in respect of provision for other retirement benefits	91,641	(1,21,395)
Adjustment in respect of CSR provisions	20,57,188	22,83,523
Adjustment in respect of other provisions	5,79,611	22,29,762
Adjustment of Donation and CSR expenses	-	1,91,607
Adjustment for Fixed Assets written off	4,92,165	10,110
Other non-deductible expenses for tax purposes	16,47,578	3,62,413
<b>Total</b>	<b>25,72,87,285</b>	<b>24,80,54,898</b>
Income tax expense reported in the statement of profit or loss	<b>25,72,87,285</b>	<b>24,80,54,898</b>

### Current tax assets (net of income tax liabilities):

	Year ended 2075-76	Year ended 2074-75
Income Tax Liability	2,55,21,07,710	2,25,79,30,452
Less: Advance Income Tax	(2,61,05,20,859)	(2,22,53,43,676)
<b>Total</b>	<b>(5,84,13,149)</b>	<b>3,25,86,776</b>

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 23. Declared dividends and proposed dividends

Figures in NPR

	Year ended 2075-76	Year ended 2074-75
<b>Declared and approved for during the year:</b>		
Dividends on ordinary shares: Final dividend for 2074-75: NPR. 700 per share (2073-74: NPR. 1,270 per share)	64,44,90,000	1,16,92,89,000
<b>Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):</b>		
Dividends on ordinary shares: Proposed dividend for 2075-76: 770 per share (2074-75: 700 per share)		64,44,90,000

## 24. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary and potential equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The following reflects the income and share data used in the basic and diluted EPS computations:

Figures in NPR

	Continuing Operations 2076	Continuing Operations 2075
<b>Numerator</b>		
Profit for the year and earnings used in basic EPS	1,06,53,92,296	99,93,77,544
Add: Interest on convertible debt	-	-
Less: Tax effect of above items	-	-
<b>Earnings used in diluted EPS</b>	<b>1,06,53,92,296</b>	<b>99,93,77,544</b>
<b>Denominator</b>		
Weighted average number of shares used in basic EPS	9,20,700	9,20,700
Convertible debt	-	-
Employee share options	-	-
Contingent share consideration on business combinations	-	-
<b>Weighted average number of shares used in diluted EPS</b>	<b>9,20,700</b>	<b>9,20,700</b>
<b>Basic and diluted earnings per share</b>	<b>1,157</b>	<b>1,085</b>

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 25. Post employment benefit plans

Defined benefit plans only consists of other retirement benefit plan and following tables summarise the components of net benefit expense recognised in the statement of income and amounts recognised in the statement of financial position:

### 2075-76 changes in the defined benefit obligation and Fair value of plan assets

Figures in NPR

	Benefit cost charged to income statement					Re-measurement gain/(losses) in OCI		Balance at 31 Ashad 2076
	Balance at 1 Sharwan 2075	Service cost	Past Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Experience adjustments	
Other retirement benefit obligation	39,63,982	3,99,224	-	3,65,843	7,65,067	(2,26,000)	(42,390)	44,60,659
<b>Benefit Liability</b>	<b>39,63,982</b>	<b>3,99,224</b>	<b>-</b>	<b>3,65,843</b>	<b>7,65,067</b>	<b>(2,26,000)</b>	<b>(42,390)</b>	<b>44,60,659</b>

### 2074-75 changes in the defined benefit obligation and Fair value of plan assets

Figures in NPR

	Benefit cost charged to income statement					Re-measurement gain/(losses) in OCI		Balance at 32 Ashad 2075
	Balance at 1 Sharwan 2074	Service cost	Past Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Experience adjustments	
Other retirement benefit obligation	46,78,068	2,84,538	(11,25,927)	4,25,749	(4,15,641)	(1,75,003)	(1,23,443)	39,63,982
<b>Benefit Liability</b>	<b>46,78,068</b>	<b>2,84,538</b>	<b>(11,25,927)</b>	<b>4,25,749</b>	<b>(4,15,641)</b>	<b>(1,75,003)</b>	<b>(1,23,443)</b>	<b>39,63,982</b>

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2076 (16<sup>th</sup> July 2019)

## 25. Post employment benefit plans (Continued...)

The principal assumptions used in determining post-employment benefit obligations for the Company's plans are shown below:

	2075-76	2074-75
Discount rate	9.50%	9.50%

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

A quantitative sensitivity analysis for significant assumption at the end of the reporting period is as shown below:

Assumptions	Discount rate	
	0.5% Increase	0.5% Decrease
<b>Sensitivity Level</b>		
Impact on Defined benefit obligation - Other retirement benefits	(4,00,568)	35,548

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the defined benefit plan in future years:

Defined benefit obligation - other retirement benefit	2075-76	2074-75
Within the next 12 months (next annual reporting period)	45,053	55,554
Between 2 and 5 years	14,18,922	12,60,556
Between 6 and 10 years	15,67,139	22,48,900
Weighted average duration of the above defined benefit obligation	18.42 years	9.22 years





Notes:



**OUR PURPOSE:**

*To earn the love and respect of Nepal by making a real difference to every Nepali*



Unilever

**UNILEVER NEPAL LIMITED**

**Regd. Office & Factory:** Basamadi, Hetauda-3  
Makwanpur District, Nepal

**Telephone:** +977-57-411047

**Corporate Office:** 2nd & 3rd Floor, City Square Building  
New Baneshwor-10, Kathmandu, Nepal  
GPO Box: 7765

**Telephone:** +977-1-4780717